

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

-----X

In re:

PROMESA  
Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
*et al.*,

(Jointly Administered)

Debtor.<sup>1</sup>

-----X

**SUMMARY SHEET ACCOMPANYING FOURTH INTERIM FEE APPLICATION  
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C.  
AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTORS,  
THE COMMONWEALTH OF PUERTO RICO, FOR THE PERIOD  
FROM JUNE 1, 2018 THROUGH SEPTEMBER 30, 2018**

Name of Applicant:

McKinsey & Company, Inc. Washington D.C.  
(“McKinsey Washington”)

Authorized to Provide Services to:

The Financial Oversight and Management Board for  
Puerto Rico, as Representative of the Debtors  
Pursuant to PROMESA Section 315(b)

Period for which Compensation  
and Reimbursement is Sought:

June 1, 2018 through September 30, 2018

Monthly Fee Statements Subject  
to Fourth Interim Fee Request:

Sixth Monthly Fee Statement  
for Compensation for Services Rendered  
From June 1, 2018 through June 30, 2018:  
Commonwealth Title III Support dated August 20, 2018

---

<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Seventh Monthly Fee Statement for Compensation for Services Rendered From July 1, 2018 through July 31, 2018: Commonwealth Title III Support dated November 2, 2018

Eighth Monthly Fee Statement for Compensation for Services Rendered From August 1, 2018 through August 31, 2018: Commonwealth Title III Support dated November 2, 2018

Ninth Monthly Fee Statement for Compensation for Services Rendered From September 1, 2018 through September 30, 2018: Commonwealth Title III Support dated November 14, 2018

Total Fees Requested for Fourth Interim Compensation Period: **\$5,670,000.00**

Total expenses requested for Fourth Interim Compensation Period: **\$0.00<sup>2</sup>**

Total fees and expenses requested for Fourth Interim Compensation Period: **\$5,670,000.00**

Total requested for Fourth Interim Compensation Period fees and expenses paid to date: **\$1,254,487.00**

Total fees and expenses subject to an Objection: **\$0.00**

Type of Application: **Fourth Interim Fee Application: Commonwealth Title III Support**

Deadline for parties other than notice parties to file objections: **December 6, 2018**

---

<sup>2</sup> McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
*et al.*,

(Jointly Administered)

Debtor.<sup>3</sup>

-----X

**FOURTH INTERIM FEE APPLICATION OF MCKINSEY WASHINGTON &  
COMPANY, INC. WASHINGTON D.C. AS CONSULTING SERVICES PROVIDER TO  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,  
AS REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO,  
FOR THE PERIOD FROM JUNE 1, 2018 THROUGH SEPTEMBER 30, 2018**

McKinsey & Company, Inc. Washington D.C. ("McKinsey Washington"), strategic consultants to Debtors in the above-captioned cases, respectfully represents:

**INTRODUCTION**

1. By this fourth interim fee application (the "Fourth Interim Fee Application"), McKinsey Washington seeks the allowance and payment of compensation for professional services related to Commonwealth Title III support rendered pursuant to the *Second Amended Order Setting*

---

<sup>3</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

*Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket Number 3269] (the “Interim Compensation Order”), the applicable provisions of Title 11 of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”) and Appendix B of the *U.S. Trustee’s Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 by Attorneys in Large Chapter 11 Cases Effective as of November 1, 2013* (the “U.S. Trustee Guidelines,” and together with the Interim Compensation Order, the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, the “Code and Rules”). Pursuant to the Code and Rules, the Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit A.

2. By this Fourth Interim Fee Application, McKinsey Washington seeks allowance of compensation for professional services performed by McKinsey Washington for the period from June 1, 2018 through September 30, 2018 (the “Compensation Period”) pursuant to the “Commonwealth Title III support” Scope of Work set forth in the Consulting Agreement, as defined in paragraph 10 and attached hereto as Exhibit B in the aggregate amount of \$5,670,000.00, representing 100% of fees incurred during the Compensation Period. McKinsey Washington submits that allowance of this amount and payment of the outstanding portion of such fees in the amount of \$4,394,250.00 are fully warranted given the actual and necessary services rendered to the Debtors by McKinsey Washington, as described in this Fourth Interim Fee Application.

### **BACKGROUND AND JURISDICTION**

3. On May 3, 2017 (the “Petition Date”), the Commonwealth of Puerto Rico (as herein defined), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), filed a petition (the “Petition”) with the United States District Court for the District of Puerto Rico (the “Court”) under Title III of PROMESA.
4. On May 5, 2017, the Puerto Rico Sales Tax Financing Corporation (“COFINA,” and together with the Commonwealth (the “Commonwealth”) of Puerto Rico, the “Debtors”), by and through the Oversight Board, as COFINA’s representative pursuant to PROMESA section 315(b), filed a petition (“COFINA’s Petition,” and together with the Commonwealth’s Petition, the “Petitions”) with the Court under Title III of PROMESA. The filings of the Petitions constitute orders for relief under Title III of PROMESA.
5. On May 9, 2017, the Debtor filed a motion seeking the joint administration of the Title III cases (the “Title III Cases”) for procedural purposes only, pursuant to PROMESA section 304(g) and Bankruptcy Rule 1015, made applicable to these Title III Cases by PROMESA section 310. On June 1, 2017, the Court ordered that the cases be consolidated for procedural purposes and be jointly administered.
6. On June 15, 2017, an Official Committee of Unsecured Creditors and an Official Committee of Retirees was appointed in the Title III case by the United States Trustee for Region 21.
7. On November 8, 2017, the Court entered *the First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which directs that professionals in the Title III Cases be paid interim compensation and outlines the procedures by which professionals are to submit, at four-month intervals, “an application for interim Court approval and allowance of the payment of compensation.”

8. On June 6, 2018, the Court entered *the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which amended certain provisions regarding the procedures by which professionals are to submit, at four-month intervals, “an application for interim Court approval and allowance of the payment of compensation.”
9. This Court has subject matter jurisdiction over this matter pursuant to PROMESA section 306(a). Venue is proper in this district pursuant to PROMESA section 307(a).

### **THE RETENTION OF MCKINSEY WASHINGTON**

10. On or about July 3, 2017, McKinsey Washington and the Board entered into a contract setting forth consulting services McKinsey Washington would provide in support of the Title III litigation (First amendment effective November 1, 2017, second amendment effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit B. The scope of work under the Consulting Agreement is divided into three (3) distinct workstreams: (i) Commonwealth Title III Support; (ii) Title III Support for PREPA; and (iii) Title III Support for HTA. This Fourth Interim Fee Application concerns the first workstream, namely Commonwealth Title III Support.<sup>4</sup>
11. Consistent with how McKinsey Washington serves clients and prices its engagements both for the public and private sectors, McKinsey Washington’s fee structure under the Consulting Agreement for services related to Commonwealth Title III support was constructed on a monthly firm fixed price basis, as set forth below for the Compensation Period:

---

<sup>4</sup> McKinsey is simultaneously serving separate Fourth Interim Fee Applications for compensation for services rendered pursuant to the other two (2) workstreams under the Consulting Agreement.

Period of Performance	Fee
June 2018	\$1,417,500
July 2018	\$1,417,500
August 2018	\$1,417,500
September 2018	\$1,417,500

12. These monthly rates are similar to rates that McKinsey Washington charges for professional services rendered in comparable matters. Such fees are reasonable based on the customary compensation in a competitive market.
13. There is no agreement or understanding between McKinsey Washington and any other nonaffiliated person for the sharing of compensation to be received for services rendered in the Title III Cases.
14. All services performed by McKinsey Washington for which fees are requested herein were performed or incurred for and on behalf of the Debtor and were not for any other person or entity.

**SUMMARY DESCRIPTION OF SERVICES PERFORMED –  
COMMONWEALTH TITLE III SUPPORT**

15. Set forth below is a brief summary of the principal matters on which McKinsey Washington provided services in connection with Commonwealth Title III support during the Compensation Period, along with a list of the McKinsey professionals who performed services during that period. In addition to this summary, comprehensive details setting forth the day-to-day activities performed and deliverables provided by McKinsey professionals are included in McKinsey Washington's Monthly Fee Statements (McKinsey Washington's Sixth Monthly Fee Statement for Compensation For Services Rendered from June 1, 2018 through June 30, 2018:

Commonwealth Title III Support (the “Sixth Monthly Fee Statement: Commonwealth Title III Support”); McKinsey Washington’s Seventh Monthly Fee Statement for Compensation For Services Rendered from July 1, 2018 through July 31, 2018: Commonwealth Title III Support (the “Seventh Monthly Fee Statement: Commonwealth Title III Support”); McKinsey Washington’s Eighth Monthly Fee Statement for Compensation For Services Rendered from August 1, 2018 through August 31, 2018: Commonwealth Title III Support (the “Eighth Monthly Fee Statement: Commonwealth Title III Support”); and McKinsey Washington’s Ninth Monthly Fee Statement for Compensation For Services Rendered from September 1, 2018 through September 30, 2018: Commonwealth Title III Support (the “Ninth Monthly Fee Statement: Commonwealth Title III Support”)), attached hereto as Exhibit C.

***June 2018:***

McKinsey Washington’s scope of services and deliverables related to Commonwealth Title III involved updating the Commonwealth Fiscal Plan to reflect new policy realities (e.g., labor reform, change in government accommodation) and updated information (e.g., additional federal funding), and assisting in the creation of the FY2019 budget for the Government of Puerto Rico to ensure it was compliant with the Commonwealth Fiscal Plan. The team led multiple board and executive director sessions to tee up additional decisions (e.g., remove of accommodation, updated rightsizing targets, new scoring for labor reform, implications of tax legislation, etc.), as well as working with government stakeholders and across fiscal plan groups to ensure consistency for all entities under Fiscal Plans. The core activities included working directly with the Board, the Executive Director, and Board Staff on the below areas (and providing ad hoc support as needed).

The McKinsey personnel who provided services related to the Commonwealth Title III support are set forth below:



Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring);

Thomas Dorman (Senior Partner – part time – overall strategic direction);

Tyler Duvall (Partner – part time – overall strategic direction);

Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms);

Ojas Shah (Partner – part time – content director on Fiscal Plan expenditures and restructuring);

Todd Wintner (Associate Partner – part time – engagement director and content director on healthcare and education);

Sara O'Rourke (Engagement Manager – full time – integrating engagement manager);

Justin Reed (Senior Associate – full time – restructuring and fiscal plan);

Dean Udom (Associate – full time – restructuring and fiscal plan);

Caroline Keller-Lynn (Associate – full time – fiscal plan);

Peter Bailinson (Analyst – full time – fiscal plan);

Logan Schulte (Analyst – full time – restructuring and fiscal plan); and

Charlotte Clinger (Analyst – full time – fiscal plan).

The core activities and deliverables related to the Commonwealth Title III support during June 2018 included:

- Updated and supported certification of the June 29<sup>th</sup> Commonwealth Fiscal Plan to reflect the removal of the accommodation between the Governor and the Board related to the repeal of Law 80 and other policy realities

- Modeled the impact of various Law 80 repeal scenarios debated by the Legislature to determine their impact on the long-term Puerto Rican fiscal surplus
- Analyzed new proposed rightsizing targets (e.g., benchmarking of Legislature and Judiciary, update of various “fiscal control” agencies (e.g., agencies which are responsible for safeguarding the Puerto Rican government against corruption, such as the Office of the Comptroller) and determined revised spend reductions to ensure they continue robust operation
- Updated Commonwealth Fiscal Plan based on new information learned
  - Investigated impact of new federal funding announcements revealed since the April/May 219<sup>th</sup> certification for inclusion in the end-of-June 29<sup>th</sup> Commonwealth Fiscal Plan update
  - Provided long-term macroeconomic, baseline, measures and structural reform assumptions for long-term financial projections and in support of the Debt Sustainability Analysis
  - Updated the Commonwealth Fiscal Plan with new information learned in the budgeting process which could be verified through Government documentation
  - Identified other information that might cause expenditures to be updated (e.g., updated projections of near-term PayGo costs for pensions)
- Supported translation of Fiscal Plan into Certified Budget
  - Engaged in multiple sessions with board staff and government stakeholders to translate Fiscal Plan into a board-created certified budget
  - Investigated variations between proposed budgets and the Commonwealth Fiscal Plan, and analyzed the impact on the overall integrity of the Commonwealth Fiscal Plan

- Met with various Government groups to discuss budgets they had submitted and their compliance with the Commonwealth Fiscal Plan; meetings ranged from discussing all submissions in totality (with OMB representatives) to the submissions of individual agencies (e.g., the Puerto Rico Police Department, which was discussed with representatives from the Department, AAFAF, OMB, and various external consultants)
- Updated Board presentations, talking points, fact packs, and “FAQ” documents on the Commonwealth Fiscal Plan to support plan certification and explanation of plan to various stakeholder groups
- Updated, maintained, and conducted ongoing quality assurance on hundreds of inputs to macroeconomic models forecasting the future course of the economy of Puerto Rico
- Assisted the RAND team with preparing their Disaster Recovery Plan, meeting to discuss economic projections used in the Commonwealth Fiscal Plan
- Supported Board members in various requests related to Fiscal Plan and budget
- Led strategy session with Board members and other advisors to discuss long-term revenue projections and other items to review in future iterations of the Commonwealth Fiscal Plan
- Coordinated with FOMB counsel to support litigation and mediation efforts as necessary
- Developed of preliminary best interests analysis based on fiscal plan certified on April 19, 2018
- Prepared analyses regarding TSA cash actual inflows and outflows and comparability of TSA actuals to the certified fiscal plan

***July 2018:***

McKinsey Washington’s scope of services and deliverables related to Commonwealth Title III

involved updating the Commonwealth Fiscal Plan to reflect new information and actuals data from the end of Fiscal Year 2018. The team reviewed and analyzed a significant amount of new data files related to TSA cash account balances, General Fund revenue actuals and new federal funding estimates, actual payroll and non-payroll operating expenditures, and healthcare projections. Based on macroeconomic data from FY2018, the team also worked to refine macroeconomic estimates and determine the impact of recovery spending on the short- and long-term projections. The team led multiple Board and executive director sessions support review and decisions based on this data and based on new government policies and actions (e.g., changes in labor laws, legislation regarding construction wages).

In addition to Fiscal Plan related activities, the team intensely worked on developing an analysis of Fiscal Plan surplus relative to Treasury Single Account (TSA) actuals, in order to understand the elements outside of the TSA that contribute to the surplus/deficit of the Commonwealth, and to identify one-time events that occurred during FY18. The team also worked on developing a first perspective of the Best Interest analysis to support preparation of a future Plan of Adjustment. The core activities included working directly with the Board, the Executive Director, and Board Staff in the below areas (and providing ad hoc support as needed).

The McKinsey personnel who provided services related to the Commonwealth Title III support are set forth below:

Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring);

Thomas Dohrmann (Senior Partner – part time – overall strategic direction);

Tyler Duvall (Partner – part time – overall strategic direction);

Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms);

Ojas Shah (Partner – part time – content director on Fiscal Plan Expenditures and Restructuring);

Todd Wintner (Associate Partner – part time – content director on Healthcare and Education);

Sara O'Rourke (Engagement Manager – full time – fiscal plan & integrating engagement director);

Justin Reed (Engagement Manager – full time – restructuring engagement manager);

Isabella Bennett (Associate – full time – restructuring, payroll and other);

Dean Udom (Associate – full time – cash analysis, budget and other);

Peter Bailinson (Analyst – full time – fiscal plan macro, revenues, rightsizing and other);

Logan Schulte (Analyst – full time – restructuring and other); and

Charlotte Clinger (Analyst – full time – fiscal plan macro, revenues and structural reforms).

The core activities and deliverables related to the Commonwealth Title III support during July 2018 included:

- Updated revenues in the Fiscal Plan to reflect actual data and pressure tested long-term assumptions
  - Worked with Hacienda and macroeconomists to analyze FY2018 tax collections and determine which revenues were related to one-time events, reconstruction activity, or to structural changes in the economy

- Refined perspectives on tax refunds based on data related to FY2018 reserves, payments, and actual refund requests
- Pressure tested long-term projections based on new information related to export sector
- Refined federal fund assumptions and projections
  - Met with federal government representatives to pressure test and update federal fund estimates
  - Refined private insurance estimates based on final data
  - Updated roll out to reflect observations by federal and other officials on the ground
  - Monitored all updates related to federal funds (e.g., for health centers, immigration center reconstruction, social benefits) and incorporated into plan
- Refined macroeconomic projections
  - Refined estimates related to FY2018 and FY2019 growth based on new reports on FY2018 (i.e., from Planning Board, manufacturing index) and revenue data
  - Based on new federal fund assumptions, refined pass-through estimates as well as cyclical reversal
- Refined expenditure baseline and measures based on actuals
  - Identified new information needed across measures to refine (e.g., uniform health assumptions, pensions)
  - Utilized TSA and other cash data to refine understanding of FY2018 actual spend versus budget

- Worked with ASES to understand current state of Mi Salud actual expenditures (based on population and PMPM) to refine baseline assumptions and projections
- Supported communication of Fiscal Plan related items within budgets and for implementation
  - Met with agencies to discuss and explain changes from FY2018 to FY2019 budgets based on measures
  - Where needed, researched additional items (e.g., other income, FY2019 federal fund flows) based on agency proposed changes to budget
  - Identified, compiled and refined Fiscal Plan milestones needed for government to maintain compliance with plan and its savings targets
- Updated, maintained, and conducted ongoing quality assurance on hundreds of inputs to macroeconomic models forecasting the future course of the economy of Puerto Rico
- Developed analysis to bridge the Fiscal Plan surplus with the Treasury Single Account (TSA) actuals and identified critical updates to the Fiscal Plan based on this analysis
  - Developed detailed analysis of FY18 TSA cash actuals and compared these actuals against line items of the Certified Fiscal Plan – during this analysis, the team engaged with the Board and with Government advisors
  - Determined critical updates to the CW Fiscal Plan following the analysis of TSA cash actuals and the identification of recurring vs. one-time storm-related variances
  - Engaged with Board and Government advisors to align on adjustments to Fiscal Plan drafting formal letters for the Board requesting data and explanations from agencies on

major variances, conducting working sessions, and holding multiple meetings with PR government

- Developed framework and draft model supporting development to Best Interest analysis
- Assisted Board in developing response to Disaster Recovery Plan, meeting to discuss economic projections used in the Commonwealth Fiscal Plan
- Supported Board creation of Annual Report
- Supported Board members in various requests related to Fiscal Plan and budget
- Coordinated with FOMB counsel to support litigation and mediation efforts as necessary, and coordinated with Board's legal advisor Proskauer on Privilege log/Rule 2004 data requests
- Supported the Board in developing perspectives and replies to ad hoc requests/ questions related to Fiscal Plan and budget from Board Executives and Creditors/Creditor advisors

***August 2018:***

McKinsey Washington's Commonwealth Title III team focused on five deliverables critical for moving forward the Title III process for the Commonwealth of Puerto Rico; 1) update of the Commonwealth Fiscal Plan to reflect the latest data available to the Board, 2) review of the updated Government Fiscal Plan and efforts to gain alignment with Government and Government's advisors on the updated data and assumptions, 3) development of an FY18 Implied Cash Surplus analysis, in part as a response to an analysis done by certain creditor advisors, 4) review of a draft FY19 Liquidity Plan as created by the Government and its advisors, and 5) other miscellaneous activities such as litigation support and other *ad hoc* requests from the Board.

The team led multiple Board and executive director sessions to tee up various decisions (e.g., Macro and revenue assumptions, Medicaid assumptions, updates for Payroll actuals, etc.), and



worked with Government stakeholders and Puerto Rican Instrumentalities to ensure consistency in the respective Fiscal Plans. The team worked directly with the Board, the Executive Director, and Board Staff in the following areas (in addition to providing ad hoc support as needed).

The McKinsey personnel who provided services related to the Commonwealth Title III support are set forth below:

Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring);

Thomas Dohrmann (Senior Partner – part time – overall strategic direction);

Tyler Duvall (Partner – part time – overall strategic direction);

Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms);

Ojas Shah (Partner – part time – content director on Fiscal Plan Expenditures and Restructuring);

Todd Wintner (Associate Partner – part time – content director on Healthcare and Education);

Sara O'Rourke (Associate Partner – full time – integrating engagement director);

Steven Van Camp (Engagement Manager – full time – integrating engagement manager);

Justin Reed (Engagement Manager – full time – restructuring engagement manager);

Isabella Bennett (Associate – full time – healthcare, pensions, payroll and other);

Peter Bailinson (Analyst – full time – Fiscal Plan macro, revenues, rightsizing and other);

Logan Schulte (Analyst – full time – restructuring and other); and

Charlotte Clinger (Analyst – full time – Fiscal Plan macro, revenues and structural reforms).

The core activities and deliverables related to the Commonwealth Title III support August 2018 included:

- Updated the Commonwealth Fiscal Plan to reflect the latest data available to the Board
  - Conducted many problem solving sessions with Macro economists Andy Wolfe and Martin Baily to refine the Macro assumptions in the Fiscal Plan model, specifically with regards to cyclical reversal, pass-through rate of Disaster Related Funds, GNP projections, demographics, etc.
  - Refined assumptions on revenue baseline and growth projections (e.g., Act 154, motor vehicle taxes, etc.), through alignment sessions with Government and its advisors and based on latest information available to the Board
  - Collaborated with the Government and its advisors to obtain data on FY18 actuals for payroll and non-payroll opex expenditures; reviewed and analyzed this data and determined how to incorporate it in the Fiscal Plan model
  - Assessed the status of fiscal measures and structural reforms, for instance through implementation meetings, to establish the latest perspective on how both fiscal measures and structural reforms should be reflected in the Fiscal Plan model
  - Investigated historical healthcare inflation numbers for both the mainland and the Commonwealth, seeking to establish consensus with Board Executives regarding the short-term and long-term growth rates of healthcare costs
  - Modeled the impact of the above decisions in the Commonwealth Fiscal Plan

- Reviewed the updated Government Fiscal Plan and aligned with Government and Government's advisors on the updated data and assumptions
  - Conducted detailed comparison between the updated Government Fiscal Plan and the updated FOMB Fiscal Plan and discussed areas of variance with Government and its advisors in order for both to best reflect the latest information available
  - Pressure-tested the Government Fiscal Plan and its assumptions
  - Developed a perspective on the Government's Fiscal Plan and discussed it with the Board and its Executives during multiple Board meetings
  - Drafted a Notice of Violation addressing all areas of concern regarding the Government's updated Fiscal Plan
- Refined the FY18 Implied Cash Surplus analysis
  - Updated the FY18 Implied Cash Surplus analysis with the latest available actuals and estimates from the Fiscal Plan
  - Reviewed the updated FY18 Implied Cash Surplus analysis with the Board Executives
- Reviewed the FY19 Liquidity Plan as created by the Government and its advisors
  - Discussed "overall cash picture" analysis with FOMB staff (i.e., TSA cash analysis, IFCU cash analysis, changes in non-TSA/IFCU cash)
  - Aligned on workplan with FOMB staff regarding review and analysis of FY19 liquidity plan
  - Conducted initial diligence on FY19 liquidity plan and organized multiple touchpoints with government to review FY19 liquidity plan

- Started the reconciliation of plan of disbursements with the FY19 budget
- Ensured follow-up on pending litigation topics
- Coordinated with Proskauer on McKinsey’s involvement in Disclosure Statement discussion
- Coordinated with Proskauer on Privilege log/Rule 2004 data requests
- Supported the Board in developing perspectives and replies to *ad hoc* requests/questions related to Fiscal Plan and budget from Board Executives and Creditors/Creditor advisors

***September 2018:***

McKinsey Washington’s scope of services and deliverables involved completing the Commonwealth Fiscal Plan financial model and presentation document, supporting board deliberations before certification, and preparing analysis on the Commonwealth’s implied cash surplus analysis and FY19 liquidity plan to support the restructuring process.

To finalize the Fiscal Plan, the team reviewed final submissions from government agencies, worked with other Board advisors to reconcile any questions from disparate data sources, and conducted an extensive audit to confirm assumptions for critical components of the plan. These included refining assumptions for Act 154 revenue forecasts, damage assessment analysis and continued review of federal funding, and pressure testing macroeconomic projections. To confirm expenditure projections, updates to the Commonwealth’s FY19 budget, and agency efficiency measures for the Fiscal Plan, McKinsey also worked extensively with FOMB staff members and aligned with other advisors and agencies. Lastly, assumptions and projections for long-term Island healthcare expenditures (i.e., Mi Salud) were finalized via data analysis and review of statutes with an independent Board healthcare actuary, Commonwealth agencies responsible for delivering

healthcare on the Island, and Board advisors.

The team also provided support to *ad hoc* requests regarding the FOMB and the Government submission of the Fiscal Plan.

Finally, the team provided support to the restructuring process via analysis of the Commonwealth's FY18 implied cash surplus analysis and the FY19 liquidity plan. In this context the team also analyzed and bridged differences between the Commonwealth Fiscal Plan surplus and FY18 implied cash surplus, analyzing timing variances and rollover costs between fiscal years.

The McKinsey personnel who provided services related to the Commonwealth Title III support are set forth below:

Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring);

Thomas Dohrmann (Senior Partner – part time – overall strategic direction);

Tyler Duvall (Partner – part time – overall strategic direction);

Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms);

Ojas Shah (Partner – part time – content director on Fiscal Plan Expenditures and Restructuring);

Todd Wintner (Associate Partner – part time – content director on healthcare and education);

Sara O'Rourke (Associate Partner – full time – Fiscal Plan & integrating engagement director);

Steven Van Camp (Engagement Manager – full time – integrating engagement manager with primary focus on Fiscal Plan and restructuring);

Isabella Bennett (Associate – full time – restructuring, pensions, healthcare, expenditures and other);

Peter Bailinson (Analyst – full time – Fiscal Plan macro, revenues, rightsizing and other);

Anja Nilsson (Analyst – Full Time – fiscal plan expenditures, rightsizing, budget, and other);

Logan Schulte (Analyst – full time – restructuring and other);

Andrew Wei (Analyst – full time – restructuring, expenditures, and IFCUs); and

Charlotte Clinger (Analyst – full time – Fiscal Plan macro, revenues and structural reforms).

The core activities and deliverables related to the Commonwealth Title III support during September 2018 included:

- Worked toward completion of the Commonwealth Fiscal Plan model
  - Worked with Board advisors Andy Wolfe, William Forna, and Ernest Jaramillo to finalize projections for the Fiscal Plan on Puerto Rico’s macroeconomic future, pensions cost projections, and healthcare expenditure projections
  - Collaborated with Government agencies to make final revisions to revenue and cost baseline projections for FY18, via data analysis and assessment of recurring vs. non-recurring FY18 observed trends
- Worked with Board colleagues and Government advisors to refine the FY19 budget for the Commonwealth
- Supported the restructuring process
  - Refined the FY18 implied cash surplus analysis and reviewed the FY19 liquidity plan as created by the Government and its advisors

- Ensured follow-up on pending litigation topics (e.g., responses to creditor questions submitted as part of the GO Rule 2004 dispute)
- Supported the board in developing perspectives and replies to *ad hoc* requests/questions related to Fiscal Plan and budget from Board Executives and Creditors/ Creditor advisors

### **SUMMARY OF PROFESSIONAL COMPENSATION REQUESTED**

16. On December 15, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its First Interim Fee Application, covering the compensation period July 1, 2017 through September 30, 2017 [Docket No. 2073].
17. On March 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Second Interim Fee Application, covering the period October 1, 2017 through January 31, 2018 [Docket No. 2756].
18. On July 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Third Interim Fee Application, covering the period February 1, 2018 through May 31, 2018 [Docket No. 3580].
19. On October 31, 2018, pursuant to the *Fee Examiner's Third Interim Report on Professional Fees and Expenses (February 1, 2018 – May 31, 2018)*, the Fee Examiner recommended full approval of the First, Second and Third Interim Fee Applications filed by McKinsey Washington [Docket No. 4126].<sup>5</sup>

---

<sup>5</sup> McKinsey Washington's three prior interim fee applications are summarized as follows:

McKinsey Workstream	First Interim Fee Application	Second Interim Fee Application	Third Interim Fee Application
Commonwealth	\$1,480,000.00	\$6,550,000.00	\$7,237,000.001 (understated by \$500.00)
PREPA	\$1,480,000.00	\$2,960,000.00	\$2,960,000.00
HTA	\$2,160,000.00	\$1,025,000.00	\$1,585,000.00

20. On November 9, 2018, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the First (May 3 through September 30, 2017), Second (October 1, 2017 through January 31, 2018), and Third (February 1 through May 31, 2018) Interim Compensation Periods* (the “Omnibus Fee Order”), this Court granted McKinsey Washington’s First, Second and Third Interim Fee Applications, and authorized the Debtors to pay one hundred (100%) percent of the fees requested by McKinsey Washington for each of those compensation periods, as set forth on Exhibit A to the Omnibus Fee Order [Docket No. 4200].

21. On August 21, 2018, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Sixth Monthly Fee Statement for services rendered from June 1, 2018 through June 30, 2018 under the Commonwealth Title III Support workstream (the “Sixth Monthly Fee Period”).

22. As reflected in the Sixth Monthly Fee Statement: Commonwealth Title III Support, during the Fourth Interim Fee Period, McKinsey Washington incurred \$1,417,500.00 in fees related to Commonwealth Title III Support and sought payment of ninety (90%) percent of such fees (\$1,275,750.00) in accordance with the Interim Compensation Order.

23. On November 6, 2018, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Seventh Monthly Fee Statement for services

<b>Total</b>	<b>\$5,120,000.00</b>	<b>\$10,535,000.00</b>	<b>\$11,782,000.00</b>
<b>Total for all Workstreams for First Three Interim Fee Periods: \$27,437,000.00</b>			



rendered from July 1, 2018 through July 31, 2018 under the Commonwealth Title III Support workstream (the “Seventh Monthly Fee Period”).

24. As reflected in the Seventh Monthly Fee Statement: Commonwealth Title III Support, during the Fourth Interim Fee Period, McKinsey Washington incurred \$1,417,500.00 in fees related to Commonwealth Title III Support and sought payment of ninety (90%) percent of such fees (\$1,275,750.00) in accordance with the Interim Compensation Order.
25. On November 6, 2018, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Eighth Monthly Fee Statement for services rendered from August 1, 2018 through August 31, 2018 under the Commonwealth Title III Support workstream (the “Eighth Monthly Fee Period”).
26. As reflected in the Eighth Monthly Fee Statement: Commonwealth Title III Support, during the Fourth Interim Fee Period, McKinsey Washington incurred \$1,417,500.00 in fees related to Commonwealth Title III Support and sought payment of ninety (90%) percent of such fees (\$1,275,750.00) in accordance with the Interim Compensation Order.
27. On November 14, 2018, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Ninth Monthly Fee Statement for services rendered from September 1, 2018 through September 30, 2018 under the Commonwealth Title III Support workstream (the “Ninth Monthly Fee Period”).
28. As reflected in the Ninth Monthly Fee Statement: Commonwealth Title III Support, during the Fourth Interim Fee Period, McKinsey Washington incurred \$1,417,500.00 in fees related to Commonwealth Title III Support and sought payment of ninety (90%) percent of such fees (\$1,275,750.00) in accordance with the Interim Compensation Order.

29. To date, McKinsey Washington has been paid a total of \$1,254,487.00<sup>6</sup> for services rendered under the Commonwealth Title III Support workstream during June 2018. McKinsey Washington has not received any other payment for services rendered during the Fourth Interim Compensation Period.

30. Pursuant to this Fourth Interim Fee Application, McKinsey Washington seeks an interim allowance of \$5,670,000.00, representing one hundred (100%) percent of its total fees incurred during the Compensation Period, and payment of the outstanding amount of \$4,394,250.00.

**THE REQUESTED COMPENSATION SHOULD BE ALLOWED**

31. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court's award of such compensation. Section 330 of the Bankruptcy Code provides that a court may award a professional "reasonable compensation for actual necessary services rendered ... and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1). Section 330 sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded ..., the court should consider the nature, the extent, and the value of such services, taking into account all relevant factors, including-

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;

---

<sup>6</sup> This amount does not include a statutory contribution of 1.5% of McKinsey Washington's total professional fees incurred under the Consulting Agreement, which shall be deposited in the General Fund.

(D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;

(E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and

(F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title 11 U.S.C. § 330(a)(3).

32. As demonstrated by this Fourth Interim Fee Application and the exhibits attached hereto, the services that McKinsey Washington rendered during the Compensation Period were reasonable, necessary and appropriate. McKinsey Washington expended its time economically and without unnecessary duplication of effort. In addition, the work conducted was carefully assigned to appropriate professionals, according to the experience and level of knowledge required for each particular task. Accordingly, approval of the compensation sought herein is warranted.

---

**CONCLUSION**

WHEREFORE, McKinsey Washington respectfully requests that the Court enter an order awarding McKinsey Washington an interim allowance for the Compensation Period in the total amount of \$5,670,000.00, directing the Debtor to pay McKinsey Washington the outstanding portion of such interim fees in the amount of \$4,394,250.00, and granting such other relief as this Court deems just and proper.

Dated: November 16, 2018  
Washington DC

McKinsey & Company, Inc. Washington DC

/s/ Tyler Duvall  
Tyler Duvall, Partner  
McKinsey & Company, Inc. Washington DC  
1200 19<sup>th</sup> Street NW Suite 1100  
Washington DC 20036  
Telephone: (202) 662 0078  
Email: tyler\_duvall@McKinsey.com

*Strategic Consultant to the Debtor*

**Certificate of Service**

1. Notice of this Fourth Interim Fee Application has been or will be provided by overnight delivery

or e-mail to:

- i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. ([mbienenstock@proskauer.com](mailto:mbienenstock@proskauer.com)) and Ehud Barak, Esq. ([ebarak@proskauer.com](mailto:ebarak@proskauer.com)), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. ([ppossinger@proskauer.com](mailto:ppossinger@proskauer.com));
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. ([hermann.bauer@oneillborges.com](mailto:hermann.bauer@oneillborges.com));
- iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. ([jrapisardi@omm.com](mailto:jrapisardi@omm.com)), Suzanne Uhland, Esq. ([suhland@omm.com](mailto:suhland@omm.com)), and Diana M. Perez, Esq. ([dperez@omm.com](mailto:dperez@omm.com));
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. ([lmardini@mpmlawpr.com](mailto:lmardini@mpmlawpr.com)) and Carolina Velaz-Rivero Esq. ([cvelaz@mpmlawpr.com](mailto:cvelaz@mpmlawpr.com));
- v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
- vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. ([lucdespins@paulhastings.com](mailto:lucdespins@paulhastings.com));
- vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. ([jcasillas@cstlawpr.com](mailto:jcasillas@cstlawpr.com)) and Alberto J.E. Añeses Negrón, Esq. ([aaneses@cstlawpr.com](mailto:aaneses@cstlawpr.com));
- viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq.

([rgordon@jenner.com](mailto:rgordon@jenner.com)) and Richard Levin, Esq. ([rlevin@jenner.com](mailto:rlevin@jenner.com)), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. ([csteege@jenner.com](mailto:csteege@jenner.com)) and Melissa Root, Esq. ([mroot@jenner.com](mailto:mroot@jenner.com));

- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. ([ajb@bennazar.org](mailto:ajb@bennazar.org));
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting ([Reylam.Guerra@hacienda.pr.gov](mailto:Reylam.Guerra@hacienda.pr.gov)); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting ([Rodriguez.Omar@hacienda.pr.gov](mailto:Rodriguez.Omar@hacienda.pr.gov)); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy ([angel.pantoja@hacienda.pr.gov](mailto:angel.pantoja@hacienda.pr.gov)); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy ([francisco.pares@hacienda.pr.gov](mailto:francisco.pares@hacienda.pr.gov)); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury ([Francisco.Pena@hacienda.pr.gov](mailto:Francisco.Pena@hacienda.pr.gov));
- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo ([elugo@edgelegalpr.com](mailto:elugo@edgelegalpr.com)); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler ([BWilliamson@gklaw.com](mailto:BWilliamson@gklaw.com); [KStadler@gklaw.com](mailto:KStadler@gklaw.com)).

## **EXHIBIT A**

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
*et al.*,

(Jointly Administered)

Debtors.

-----X

**CERTIFICATION OF TYLER DUVALL IN SUPPORT OF FOURTH INTERIM FEE  
APPLICATION OF MCKINSEY & COMPANY, INC. WASHINGTON D.C.  
AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTORS,  
THE COMMONWEALTH OF PUERTO RICO FOR THE PERIOD  
FROM JUNE 1, 2018 THROUGH SEPTEMBER 30, 2018**

I, Tyler Duvall, certify as follows:

1. I am a Partner in the firm of McKinsey & Company, Inc. Washington DC ("McKinsey Washington"). I submit this certification with respect to the fourth interim fee application of McKinsey Washington as consulting services provider in the above-captioned case (the "Fourth Interim Fee Application") for the allowance of compensation for professional services rendered during the relevant application period.
2. I make this certification in accordance with the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, entered on June 6, 2018 [Docket Number 3269] (the "Interim Compensation Order").
3. In connection therewith, I hereby certify that:
  - (a) I have read the Fourth Interim Fee Application;
  - (b) To the best of my knowledge, information and belief formed after reasonable inquiry, the fees sought in the Fourth Interim Fee Application are in substantial compliance with the Interim Compensation Order and the United States Trustee Guidelines for



Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996; and

- (c) The Debtor, the United States Trustee, the official committee of unsecured creditors and the official committee of retirees of the Debtor have been provided with a copy of the Fourth Interim Fee Application simultaneously with the filing thereof, and will have at least 10 days to review such Fourth Interim Fee Application prior to any objection deadline with respect thereto.

Dated: November 16, 2018  
Washington DC

/s/ Tyler Duvall

Tyler Duvall, Partner  
McKinsey & Company, Inc. Washington DC  
1200 19<sup>th</sup> Street NW Suite 1100  
Washington DC 20036  
Telephone: (202) 662 0078  
Email: tyler\_duvall@McKinsey.com

## **EXHIBIT B**

***PROPRIETARY and CONFIDENTIAL***

CONSULTING AGREEMENT

**McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. SERVICES. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. COMPENSATION. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. CONFIDENTIALITY. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. INTELLECTUAL PROPERTY. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

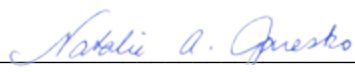
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

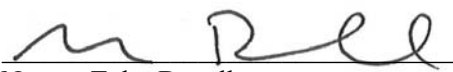
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico  
(Client)

McKinsey & Company, Inc., Washington D.C.

  
Name: Natalie A. Jaresko  
Title: Executive Director  
Date: Sept. 12, 2017

  
Name: Tyler Duvall  
Title: Partner  
Date: September 8, 2017

**ATTACHMENT 1**  
**Scope of Work**  
**For**  
**Commonwealth Title III Support**

**Services:**

In regards to support for the Commonwealth Title III proceedings to the Board to include:

*Activities:*

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
  - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
  - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
  - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
  - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
  - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
  - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverable:*

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

### **Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for PREPA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

**1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required (e.g. updated IRP for PREPA)
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance



- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for HTA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

**Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS FIRST AMENDMENT** to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

**WHEREAS**, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

**1. SERVICES.**

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

**11. MISCELLANEOUS.**

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

**IN WITNESS WHEREOF**, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board  
For Puerto Rico**

  
Name: Natalie A. Jaresko

Title: Executive Director

Date:

**McKinsey & Company, Inc., Washington D.C.**

  
Name: Tyler Duvall

Title: Principal

Date: March 8, 2018

**AMENDED ATTACHMENT 1**  
**Scope of Work For Commonwealth Title III Support**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

Support for the Commonwealth Title III proceedings to the Board to include the following:

***I. Measure:***

- Revising fiscal measures contained in the March 13<sup>th</sup> Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

***II. Baseline and Macro:***

- Reviewing full certified March 13<sup>th</sup> Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

***III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

**FEEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

\* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**AMENDED ATTACHMENT 3**  
**Scope of Work For Title III Support for HTA**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

\*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

\*\* For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).





**SECOND AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC  
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS SECOND AMENDMENT** to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

**WHEREAS**, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board  
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

**McKinsey & Company, Inc., Washington D.C.**



Name: Tyler Duvall

Title: Partner

**SECOND AMENDED ATTACHMENT 3**  
**Scope of Work for Title III Support for HTA**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

*In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:*

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
  - Capex program priorities and efficiency measures
  - Opportunities to increase revenues
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.



**SECOND AMENDED ATTACHMENT 1**  
**Scope of Work for Commonwealth Title III Support**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

***Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

## **EXHIBIT C**

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.<sup>1</sup>

-----X

**SIXTH MONTHLY FEE STATEMENT OF MCKINSEY & COMPANY, INC.  
WASHINGTON D.C. FOR COMPENSATION FOR SERVICES RENDERED TO THE  
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS  
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO  
FOR THE PERIOD JUNE 1, 2018 THROUGH JUNE 30, 2018**

Name of Professional:	McKinsey & Company, Inc. Washington D.C. ("McKinsey Washington")
Authorized to Provide Services to:	The Financial Oversight and Management Board for Puerto Rico, as Representative of the Debtors <u>Pursuant to PROMESA Section 315(b)</u>
Period for which compensation and reimbursement is sought:	<u>June 1, 2018 – June 30, 2018</u>
Amount of compensation sought as actual, reasonable and necessary:	<b><u>\$1,417,500.00</u></b>
Amount of expense reimbursement sought sought as actual, reasonable and necessary <sup>2</sup> :	<b><u>\$0.00</u></b>
Type of Fee Statement:	Sixth Monthly Fee Statement: <u>Commonwealth Title III Support<sup>3</sup></u>

<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

<sup>2</sup> McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

<sup>3</sup> Notice of this Sixth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.



1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “Interim Compensation Procedures”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey Washington”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico (the “Debtors” or the “Board”), hereby serves this Sixth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of June 2018 (the “Fee Period”) pursuant to the “Commonwealth Title III Support” Scope of Work of the consulting agreement between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018 (the “Consulting Agreement”) and attached hereto as Exhibit A. Pursuant to the Interim Compensation Procedures a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Sixth Monthly Fee Statement, is attached as Exhibit C.
2. By this Sixth Monthly Fee Statement: Commonwealth Title III Support, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting

Agreement during the Fee Period in the amount of \$1,275,750 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Procedures).

**Summary of Services Rendered During the Fee Period**

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Consulting Agreement Commonwealth Title III Support.<sup>4</sup>
4. Included at Exhibit D is a list of team members who performed services during the Fee Period, along with a detailed description of McKinsey Washington's scope of services, deliverables and team member activities, pursuant to the Commonwealth Title III Support Scope of Work during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice<sup>5</sup> for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Commonwealth Title III Scope of Work. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoices – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed. As reflected in Exhibit E, McKinsey Washington incurred \$1,417,500 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$1,275,750).

---

<sup>4</sup> McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

<sup>5</sup> The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

6. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
7. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

#### **Representations**

8. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Sixth Monthly Fee Statement: Commonwealth Title III Support due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures.

#### **Notice**

9. Notice of this Sixth Monthly Fee Statement: Commonwealth Title III Support has been or will be provided by overnight delivery or e-mail to:
  - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison

- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. ([ppossinger@proskauer.com](mailto:ppossinger@proskauer.com));
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. ([hermann.bauer@oneillborges.com](mailto:hermann.bauer@oneillborges.com));
  - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. ([jrapisardi@omm.com](mailto:jrapisardi@omm.com)), Suzzanne Uhland, Esq. ([suhland@omm.com](mailto:suhland@omm.com)), and Diana M. Perez, Esq. ([dperez@omm.com](mailto:dperez@omm.com));
  - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. ([lmardini@mpmlawpr.com](mailto:lmardini@mpmlawpr.com)) and Carolina Velaz-Rivero Esq. ([cvelaz@mpmlawpr.com](mailto:cvelaz@mpmlawpr.com));
  - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
  - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. ([lucdespins@paulhastings.com](mailto:lucdespins@paulhastings.com));
  - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. ([jcasillas@cstlawpr.com](mailto:jcasillas@cstlawpr.com)) and Alberto J.E. Añeses Negrón, Esq. ([aaneses@cstlawpr.com](mailto:aaneses@cstlawpr.com));
  - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. ([rgordon@jenner.com](mailto:rgordon@jenner.com)) and Richard Levin, Esq. ([rlevin@jenner.com](mailto:rlevin@jenner.com)), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. ([csteeg@jenner.com](mailto:csteeg@jenner.com)) and Melissa Root, Esq. ([mroot@jenner.com](mailto:mroot@jenner.com));
  - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. ([ajb@bennazar.org](mailto:ajb@bennazar.org));
  - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central

Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury ([Francisco.Pena@hacienda.pr.gov](mailto:Francisco.Pena@hacienda.pr.gov));

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$1,275,750 representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: August 20, 2018  
Washington DC

McKinsey & Company, Inc. Washington DC

s/Tyler Duvall  
Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC  
1200 19th St NW #1000  
Washington, DC 20036  
Telephone: (202) 662-3100  
Email: [Tyler\\_Duvall@Mckinsey.com](mailto:Tyler_Duvall@Mckinsey.com)

*Strategic Consultant to the Debtors*

**EXHIBIT A**

*Consulting Services Agreement  
Between McKinsey Washington and the Board  
In Support of the Title III Litigation  
(entered in on or about and July 3, 2017, Amendment No. 1 effective  
November 1, 2017, Amendment No. 2 effective April 1, 2018  
(the “Consulting Agreement”)  
Statement of Work for Commonwealth Title III Support*

***PROPRIETARY and CONFIDENTIAL***

**CONSULTING AGREEMENT**

**McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES.** The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION.** The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY.** Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY.** Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's



Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.



Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

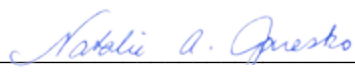
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

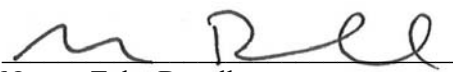
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico  
(Client)

McKinsey & Company, Inc., Washington D.C.

  
Name: Natalie A. Jaresko  
Title: Executive Director  
Date: Sept. 12, 2017

  
Name: Tyler Duvall  
Title: Partner  
Date: September 8, 2017

**ATTACHMENT 1**  
**Scope of Work**  
**For**  
**Commonwealth Title III Support**

**Services:**

In regards to support for the Commonwealth Title III proceedings to the Board to include:

*Activities:*

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
  - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
  - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
  - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
  - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
  - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
  - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverable:*

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

### **Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for PREPA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

**1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required (e.g. updated IRP for PREPA)
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for HTA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

**Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS FIRST AMENDMENT** to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

**WHEREAS**, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

**1. SERVICES.**

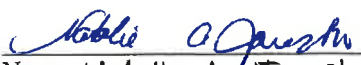
"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

**11. MISCELLANEOUS.**

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

**IN WITNESS WHEREOF**, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board  
For Puerto Rico**

  
Name: Natalie A. Jaresko

Title: Executive Director

Date:

**McKinsey & Company, Inc., Washington D.C.**

  
Name: Tyler Duvall

Title: Principal

Date: March 8, 2018



**AMENDED ATTACHMENT 1**  
**Scope of Work For Commonwealth Title III Support**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

Support for the Commonwealth Title III proceedings to the Board to include the following:

***I. Measure:***

- Revising fiscal measures contained in the March 13<sup>th</sup> Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

***II. Baseline and Macro:***

- Reviewing full certified March 13<sup>th</sup> Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

***III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

\* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**AMENDED ATTACHMENT 3**  
**Scope of Work For Title III Support for HTA**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

\*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

\*\* For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC  
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS SECOND AMENDMENT** to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

**WHEREAS**, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board  
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

**McKinsey & Company, Inc., Washington D.C.**



Name: Tyler Duvall

Title: Partner



**SECOND AMENDED ATTACHMENT 3**  
**Scope of Work for Title III Support for HTA**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

*In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:*

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
  - Capex program priorities and efficiency measures
  - Opportunities to increase revenues
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.



**SECOND AMENDED ATTACHMENT 1**  
**Scope of Work for Commonwealth Title III Support**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

***Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**EXHIBIT B**

*Certification of McKinsey Washington Partner Tyler Duvall*

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.

-----X

**CERTIFICATION OF TYLER DUVALL**

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Sixth Monthly Fee Statement: Commonwealth Title III Support are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Sixth Monthly Fee Statement: Commonwealth Title III Support complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
  - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
  - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;
  - iii. The amounts of these invoice are reasonable;

- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 20, 2018  
Washington, DC

*s/Tyler Duvall*

Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC

**EXHIBIT C**

***Certification of FOMB Executive Director Natalie Jaresko***

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

-----X

In re:	PROMESA
	Title III
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,	
as representative of	No. 17 BK 3283-LTS
THE COMMONWEALTH OF PUERTO RICO, <i>et al.</i>	(Jointly Administered)
Debtors.	

-----X

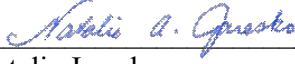
**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR  
PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON  
MONTHLY FEE STATEMENTS**

In accordance with the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket Number 3269, June 6, 2018] (“Interim Compensation Procedures”), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight And Management Board For Puerto Rico (“FOMB”);
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the “Consulting Agreement”);
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services McKinsey provided in February, March and April 2018 under each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA”; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Consolidated Third Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support provided during the month of June 2018, pursuant to each of the three (3)

workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: July 12, 2018

  
\_\_\_\_\_  
Natalie Jaresko  
Executive Director  
The Financial Oversight and Management Board  
For Puerto Rico



## **EXHIBIT D**

### **Title III Support for Commonwealth**

#### **June 2018**

##### **Summary of Work**

The scope of services and deliverables related to Commonwealth Title III June 2018 involved updating the Commonwealth Fiscal Plan to reflect new policy realities (e.g., labor reform, change in government accommodation) and updated information (e.g., additional federal funding), and assisting in the creation of the FY2019 budget for the Government of Puerto Rico to ensure it was compliant with the Commonwealth Fiscal Plan. The team led multiple board and executive director sessions to tee up additional decisions (e.g., remove of accommodation, updated rightsizing targets, new scoring for labor reform, implications of tax legislation, etc.), as well as working with government stakeholders and across fiscal plan groups to ensure consistency for all entities under Fiscal Plans. Specifically, working directly with the Board, the Executive Director, and Board Staff in the following areas (and providing ad hoc support as needed), the team:

##### **McKinsey Washington's Commonwealth Title III Team Detailed Activities by Deliverable:**

- Updated and supported certification of the June 29<sup>th</sup> Commonwealth Fiscal Plan to reflect the removal of the accommodation between the Governor and the Board related to the repeal of Law 80 and other policy realities
  - Modeled the impact of various Law 80 repeal scenarios debated by the Legislature to determine their impact on the long-term Puerto Rican fiscal surplus
  - Analyzed new proposed rightsizing targets (e.g., benchmarking of Legislature and Judiciary, update of various “fiscal control” agencies (e.g., agencies which are responsible for safeguarding the Puerto Rican government against corruption, such as the Office of the Comptroller) and determined revised spend reductions to ensure they continue robust operation
- Updated Commonwealth Fiscal Plan based on new information learned
  - Investigated impact of new Federal funding announcements revealed since the April May 2019<sup>th</sup> certification for inclusion in the end-of-June 29<sup>th</sup> Commonwealth Fiscal Plan update
  - Provided long-term macroeconomic, baseline, measures and structural reform assumptions for long-term financial projections and in support of the Debt Sustainability Analysis
  - Updated the Commonwealth Fiscal Plan with new information learned in the budgeting process which could be verified through Government documentation
  - Identified other information that might cause expenditures to be updated (e.g., updated projections of near-term PayGo costs for pensions)

- Support translation of Fiscal Plan into Certified Budget
  - Engaged in multiple sessions with board staff and government stakeholders to translate Fiscal Plan into a board-created certified budget
  - Investigated variations between proposed budgets and the Commonwealth Fiscal Plan, and analyzed the impact on the overall integrity of the Commonwealth Fiscal Plan
  - Met with various Government groups to discuss budgets they had submitted and their compliance with the Commonwealth Fiscal Plan; meetings ranged from discussing all submissions in totality (with OMB representatives) to the submissions of individual agencies (e.g., the Puerto Rico Police Department, which was discussed with representatives from the Department, AAFAF, OMB, and various external consultants)
- Updated Board presentations, talking points, fact packs, and “FAQ” documents on the Commonwealth Fiscal Plan to support plan certification and explanation of plan to various stakeholder groups
- Updated, maintained, and conducted ongoing quality assurance on hundreds of inputs to macroeconomic models forecasting the future course of the economy of Puerto Rico
- Assisted the RAND team with preparing their Disaster Recovery Plan, meeting to discuss economic projections used in the Commonwealth Fiscal Plan
- Supported Board members in various requests related to Fiscal Plan and budget
- Led strategy session with Board members and other advisors to discuss long-term revenue projections and other items to review in future iterations of the Commonwealth Fiscal Plan
- Coordinate with FOMB counsel to support litigation and mediation efforts as necessary
- Development of preliminary best interests analysis based on fiscal plan certified on April 19, 2018
- Preparation of analyses regarding TSA cash actual inflows and outflows and comparability of TSA actuals to the certified fiscal plan

### **McKinsey Washington’s Commonwealth Title III Team Detail and Contributions**

- Bertil Chappuis (Senior Partner)
  - Provided overall quality control on team content
  - Responsible for relationships with key stakeholders, including Board, Board staff and co-advisors
  - Led on-the-ground Puerto Rico stakeholder interaction in order to drive real-time insights
  - Participated in Board meetings and sessions to review updates in support of certification of June 29<sup>th</sup> Commonwealth Fiscal Plan
- Kevin Carmody (Senior Partner)
  - Participated in team problem solving sessions related to preliminary best interests test
  - Provided quality control on various team work streams
  - Participated in cross advisor and FOMB discussions regarding preliminary best interests analysis

- Reviewed analyses related to preliminary analysis of TSA cash activity and correlation to certified fiscal plan
- Participated in team problem solving sessions related to the June 29<sup>th</sup> fiscal plan certification
- Participated in FY19 budget development discussions with team and advisors
- Thomas Dorman (Senior Partner)
  - Participated in select Board sessions and FOMB meetings discussing fiscal plan next steps
  - Participated in team problem solving sessions related to the June 29<sup>th</sup> fiscal plan certification
- Tyler Duvall (Partner)
  - Worked daily with other McKinsey leadership, daily working team and FOMB staff to problem solve key topics and update Commonwealth Fiscal Plan, including:
    - **Reviewing impact of various labor reform scenarios**
    - **Analyzing new proposed targets to improved government efficiency (“right sizing”)**
  - Worked closely with daily working team and FOMB staff to:
    - **Investigate impact of new Federal funding announcements**
    - **Update the Commonwealth Fiscal Plan with new information learned in the budgeting process**
  - Led overall team production (along with other leadership experts) of Board presentations, talking points, fact packs, and “FAQ” documents on the Commonwealth Fiscal Plan to support plan certification and explanation of plan to various stakeholder groups
  - Supported Board members in various requests related to Fiscal Plan and budget
  - Helped lead strategy session with Board members and other advisors to discuss long-term revenue projections and other items to review in future iterations of the Commonwealth Fiscal Plan
  - Worked with team to coordinate with FOMB counsel to support litigation and mediation efforts
  - Problem solved with daily working team regarding Best Interest Test structure and approach
- Jonathan Davis (Partner)
  - Provided overall guidance and quality control on Board materials and briefing documents related to the Commonwealth Fiscal Plan
  - Reviewed materials and analysis leading into June 29<sup>th</sup> certified Commonwealth Fiscal Plan

- Provided problem solving support to Board and working teams on tax and revenue, ease of doing business, related to June 29th Commonwealth Fiscal Plan
- Facilitated in-depth sessions with Board discussing implementation chapter of Commonwealth Fiscal Plan
- Ojas Shah (Partner)
  - Led overall work with regards to preliminary best interests analysis based on April 19, 2018 certified fiscal plan
  - Participated in several cross advisor and FOMB discussions regarding preliminary best interests analysis
  - Led overall work with regards to preliminary analysis of TSA cash activity and correlation to certified fiscal plan
  - Participated in meetings with FOMB and reviewed analysis supporting the June 29<sup>th</sup> fiscal plan certification
  - Participated in FY19 budget development discussions with FOMB and advisors
  - Participated in Board and FOMB calls to provide updates regarding Title III related analyses
- Todd Wintner (Associate Partner)
  - Directed work on all matters related to healthcare and education and led quality control of all Board materials /documentation related to healthcare and education
  - Provided integration across UPR and Commonwealth Fiscal Plans
- Sara O'Rourke (Engagement Manager)
  - Provided overall guidance and quality control on Board materials and briefing documents related to the Commonwealth Fiscal Plan
  - Reviewed materials and analysis leading into June 29th certified Commonwealth Fiscal Plan
  - Served as expert on all agency efficiencies measures, as well as on select structural reforms (e.g., Ease of Doing Business, Labor reform, NAP, etc.)
  - Led work across Board advisor teams, as well as in collaboration with Government, to translate the Commonwealth Fiscal Plan to budget
  - Provided problem solving support to Board and working teams on major reform topics, e.g., agency efficiencies, compensation related measures, healthcare, etc.
- Justin Reed (Senior Associate)
  - Organized and participated in cross advisor calls and meetings to coordinate mediation support efforts with Government advisors
  - Led development of litigation support materials
  - Supported efforts to translate the certified fiscal plan into FY19 budget

- Supported fiscal plan update process including development of various analyses and fiscal plan exhibits
- Led workstream to develop initial draft of best interest analysis on certified fiscal plan
- Supported development of ad hoc analyses requested by the FOMB related to FY19 budget and fiscal plan
- Led workstream developing initial perspective on TSA comparability to the fiscal plan certified April 19, 2018
- Dean Udom (Associate)
  - Developed draft FY19 Commonwealth budget file compliant with Fiscal Plan certified April 19, 2018
  - Supported reconciliation efforts to resolve key differences between government proposed and FOMB FY19 budgets
  - Developed draft best interest analysis model based on certified fiscal plan
  - Supported development of fiscal plan certified on June 29, 2018
- Caroline Keller-Lynn (Associate)
  - Collaborated with other Board advisors to determine exact variance between FY2019 Government budget and Commonwealth Fiscal Plan for all Government agencies
  - Revised agency efficiency measures due to the rejection of the Government accommodation following the non-repeal of Law 80
  - Supported creation of budget by ensuring reflected measures, and was otherwise compliant with Fiscal Plan
  - Drove all Commonwealth Fiscal Plan content related to agency efficiencies, pensions, subsidies, Office of the CFO, and implementation planning
- Peter Bailinson (Analyst)
  - Managed working team responsible for creating June 29th version of the Commonwealth Fiscal Plan, including research on new inputs (e.g., new Federal funding allocations)
  - Responsible for quality control on all outputs
  - Managed collaboration with other Board advisors to analyze variance between proposed FY2019 Government budget and Commonwealth Fiscal Plan
  - Refined and finalized analysis on fiscal measures related to pensions, subsidies, government rightsizing (including corrections, police, procurement, all other agencies), and revenues
  - Owned overall measures model and managed integration between measures and baseline models on core overlapping areas
- Logan Schulte (Analyst)
  - Developed team responses/ coordinated team responses to various areas of creditor engagement

- Coordinated with FOMB counsel on development of materials for submission of updated categorical privilege log
- Developed preliminary view related to methods, inputs, and presentational structure for draft best interest test related to fiscal plan certified on April 19, 2018
- Developed initial perspective regarding TSA comparability to the fiscal plan certified April 19, 2018
- Charlotte Clinger (Analyst)
  - Revised Board scoring of labor reform based on the Legislature's decision to not repeal Law 80, and revised the Commonwealth Fiscal Plan as a result
  - Managed long-term macroeconomic and baseline revenue Commonwealth Fiscal Plan assumptions and projections, including supporting investment scenario analysis through long-term projections of various scenarios
  - Drove Commonwealth Fiscal Plan content related to baseline / macroeconomics, as well as history / background of Puerto Rico and context for current recession and crisis
  - Helped lead problem solving with economists and demographer to refine macroeconomic model and projections (e.g., population, disaster spend, pass-through, roll out)

**EXHIBIT E**

***June 2018 Invoice***

## McKinsey&Company

The Financial Oversight and  
Management Board for Puerto Rico  
PO Box 195556  
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant  
[accountspayable@promesa.gov](mailto:accountspayable@promesa.gov)

**Invoice No: USG-GPC021-5152**

Consulting Agreement  
Client for Strategic Consulting support related to  
the Title III Cases  
Effective Agreement Date: November 1, 2017  
Ammendment Date: April 1, 2018

Invoice Date: 7/30/2018

---

Net 30

### FFP Payment Schedule for Commonwealth Services

**Invoice PoP:** June 1, 2018 – June 30, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$	806,629.43
Gross invoice amount for services performed in Puerto Rico:	\$	860,381.09
<b>Subtotal</b>	<b>\$</b>	<b>1,667,010.52</b>
Less withholding tax deducted at source	\$	(249,510.52)
<b>Net Invoice Payable:</b>	<b>\$</b>	<b>1,417,500.00</b>

**Total Invoice:** \$1,417,500.00

Please wire transfer payment to:  
McKinsey & Company, Inc.  
Citibank N.A.  
Bank Account Number: [REDACTED]  
Bank ABA Routing Number: [REDACTED]

If remitting by check please send check to:  
McKinsey & Company, Inc.  
P.O. Box 7247-7255  
Philadelphia, PA 19170-7255

Federal Tax ID#: [REDACTED]

**Please reference the invoice number and invoice date on your remittance advice.**

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.



UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.<sup>1</sup>

-----X

**SEVENTH MONTHLY FEE STATEMENT OF MCKINSEY & COMPANY, INC.  
WASHINGTON D.C. FOR COMPENSATION FOR SERVICES RENDERED TO THE  
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS  
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO  
FOR THE PERIOD JULY 1, 2018 THROUGH JULY 31, 2018**

Name of Professional: McKinsey & Company, Inc. Washington D.C.  
("McKinsey Washington")

Authorized to Provide Services to: The Financial Oversight and Management Board for  
Puerto Rico, as Representative of the Debtors  
Pursuant to PROMESA Section 315(b)

Period for which compensation  
and reimbursement is sought: July 1, 2018 – July 31, 2018

Amount of compensation sought  
as actual, reasonable and necessary: **\$1,417,500.00**

Amount of expense reimbursement sought  
sought as actual, reasonable and necessary<sup>2</sup>: **\$0.00**

Type of Fee Statement: Seventh Monthly Fee Statement:  
Commonwealth Title III Support<sup>3</sup>

<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

<sup>2</sup> McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

<sup>3</sup> Notice of this Seventh Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Seventh Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “Interim Compensation Procedures”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey Washington”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico (the “Debtors” or the “Board”), hereby serves this Seventh Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of July 2018 (the “Fee Period”) pursuant to the “Commonwealth Title III Support” Scope of Work of the consulting agreement between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit A. Pursuant to the Interim Compensation Procedures, a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Seventh Monthly Fee Statement, is attached as Exhibit C.
2. By this Seventh Monthly Fee Statement: Commonwealth Title III Support, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting

Agreement during the Fee Period in the amount of \$1,275,750.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Procedures).

**Summary of Services Rendered During the Fee Period**

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Consulting Agreement Commonwealth Title III Support.<sup>4</sup>
4. Included at Exhibit D is a detailed description of McKinsey Washington's scope of services, deliverables and team member activities, pursuant to the Commonwealth Title III Support Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice<sup>5</sup> for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Commonwealth Title III Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$1,417,500.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$1,275,750.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.

---

<sup>4</sup> McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

<sup>5</sup> The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

### **Representations**

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Seventh Monthly Fee Statement: Commonwealth Title III Support due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures.

### **Notice**

10. Notice of this Seventh Monthly Fee Statement: Commonwealth Title III Support has been or will be provided by overnight delivery or e-mail to:
  - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison

- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. ([ppossinger@proskauer.com](mailto:ppossinger@proskauer.com));
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. ([hermann.bauer@oneillborges.com](mailto:hermann.bauer@oneillborges.com));
  - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. ([jrapisardi@omm.com](mailto:jrapisardi@omm.com)), Suzzanne Uhland, Esq. ([suhland@omm.com](mailto:suhland@omm.com)), and Diana M. Perez, Esq. ([dperez@omm.com](mailto:dperez@omm.com));
  - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. ([lmardini@mpmlawpr.com](mailto:lmardini@mpmlawpr.com)) and Carolina Velaz-Rivero Esq. ([cvelaz@mpmlawpr.com](mailto:cvelaz@mpmlawpr.com));
  - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
  - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. ([lucdespins@paulhastings.com](mailto:lucdespins@paulhastings.com));
  - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. ([jcasillas@cstlawpr.com](mailto:jcasillas@cstlawpr.com)) and Alberto J.E. Añeses Negrón, Esq. ([aaneses@cstlawpr.com](mailto:aaneses@cstlawpr.com));
  - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. ([rgordon@jenner.com](mailto:rgordon@jenner.com)) and Richard Levin, Esq. ([rlevin@jenner.com](mailto:rlevin@jenner.com)), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. ([csteeg@jenner.com](mailto:csteeg@jenner.com)) and Melissa Root, Esq. ([mroot@jenner.com](mailto:mroot@jenner.com));
  - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequiera, Esq. ([ajb@bennazar.org](mailto:ajb@bennazar.org));
  - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central

Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury ([Francisco.Pena@hacienda.pr.gov](mailto:Francisco.Pena@hacienda.pr.gov));

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$1,275,750.00 representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: November 2, 2018  
Washington DC

McKinsey & Company, Inc. Washington DC

s/Tyler Duvall  
Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC  
1200 19th St NW #1000  
Washington, DC 20036  
Telephone: (202) 662-3100  
Email: [Tyler\\_Duvall@Mckinsey.com](mailto:Tyler_Duvall@Mckinsey.com)

*Strategic Consultant to the Debtors*

**EXHIBIT A**

***Consulting Services Agreement  
Between McKinsey Washington and the Board  
In Support of the Title III Litigation  
(entered in on or about and July 3, 2017, Amendment No. 1 effective  
November 1, 2017, Amendment No. 2 effective April 1, 2018  
(the “Consulting Agreement”)  
Statement of Work for Commonwealth Title III Support***

***PROPRIETARY and CONFIDENTIAL***

**CONSULTING AGREEMENT**

**McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES.** The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION.** The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY.** Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY.** Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's



Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

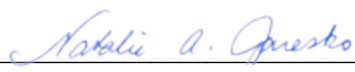
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

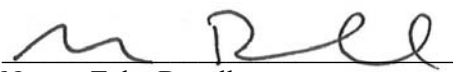
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico  
(Client)

McKinsey & Company, Inc., Washington D.C.

  
Name: Natalie A. Jaresko  
Title: Executive Director  
Date: Sept. 12, 2017

  
Name: Tyler Duvall  
Title: Partner  
Date: September 8, 2017

**ATTACHMENT 1**  
**Scope of Work**  
**For**  
**Commonwealth Title III Support**

**Services:**

In regards to support for the Commonwealth Title III proceedings to the Board to include:

*Activities:*

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
  - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
  - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
  - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
  - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
  - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
  - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverable:*

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

### **Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for PREPA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

**1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required (e.g. updated IRP for PREPA)
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for HTA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

**Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.



**FIRST AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS FIRST AMENDMENT** to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

**WHEREAS**, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

**1. SERVICES.**

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

**11. MISCELLANEOUS.**

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

**IN WITNESS WHEREOF**, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board  
For Puerto Rico**

  
Name: Natalie A. Jaresko

Title: Executive Director

Date:

**McKinsey & Company, Inc., Washington D.C.**

  
Name: Tyler Duval

Title: Principal

Date: March 8, 2018

**AMENDED ATTACHMENT 1**  
**Scope of Work For Commonwealth Title III Support**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

Support for the Commonwealth Title III proceedings to the Board to include the following:

***I. Measure:***

- Revising fiscal measures contained in the March 13<sup>th</sup> Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

***II. Baseline and Macro:***

- Reviewing full certified March 13<sup>th</sup> Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

***III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

\* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**AMENDED ATTACHMENT 3**  
**Scope of Work For Title III Support for HTA**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

\*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

\*\* For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).





**SECOND AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC  
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS SECOND AMENDMENT** to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

**WHEREAS**, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board  
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

**McKinsey & Company, Inc., Washington D.C.**



Name: Tyler Duvall

Title: Partner

**SECOND AMENDED ATTACHMENT 3**  
**Scope of Work for Title III Support for HTA**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

*In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:*

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
  - Capex program priorities and efficiency measures
  - Opportunities to increase revenues
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance



**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

**SECOND AMENDED ATTACHMENT 1**  
**Scope of Work for Commonwealth Title III Support**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

***Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**EXHIBIT B**

*Certification of McKinsey Washington Partner Tyler Duvall*

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.

-----X

**CERTIFICATION OF TYLER DUVALL**

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Seventh Monthly Fee Statement: Commonwealth Title III Support are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Seventh Monthly Fee Statement: Commonwealth Title III Support complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
  - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
  - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;
  - iii. The amount of this invoice is reasonable;

- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: November 2, 2018  
Washington, DC

*s/Tyler Duvall*

Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC

**EXHIBIT C**

***Certification of FOMB Executive Director Natalie Jaresko***

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA  
Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
et al.

(Jointly Administered)

Debtors.

-----X

**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S  
MONTHLY FEE STATEMENTS FOR THE MONTH OF JULY 2018**

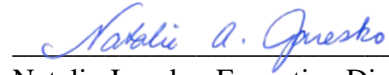
In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight And Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in July 2018 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support



provided during the month of July 2018, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: October \_\_, 2018



Natalie Jaresko, Executive Director  
The Financial Oversight and  
Management Board For Puerto Rico

## **EXHIBIT D**

### **Title III Support for Commonwealth**

#### **July 2018**

##### **Summary of Work**

The scope of services and deliverables related to Commonwealth Title III in July 2018 involved updating the Commonwealth Fiscal Plan to reflect new information and actuals data from the end of Fiscal Year 2018. The team reviewed and analyzed a significant amount of new data files related to TSA cash account balances, General Fund revenue actuals and new federal funding estimates, actual payroll and non-payroll operating expenditures, and healthcare projections. Based on macroeconomic data from FY2018, the team also worked to refine macroeconomic estimates and determine the impact of recovery spending on the short- and long-term projections. The team led multiple Board and executive director sessions support review and decisions based on this data and based on new government policies and actions (e.g., changes in labor laws, legislation regarding construction wages).

In addition to Fiscal Plan related activities, the team intensely worked on developing an analysis of Fiscal Plan surplus relative to Treasury Single Account (TSA) actuals, in order to understand the elements outside of the TSA that contribute to the surplus/deficit of the Commonwealth, and to identify one-time events that occurred during FY18. The team also worked on developing a first perspective of the Best Interest analysis to support preparation of a future Plan of Adjustment.

Finally, the team worked with government stakeholders and across fiscal plan groups to ensure consistency for all entities under Fiscal Plans, and supported *ad hoc* requests (e.g., Board review of Recovery Plan, creation of Annual Report, reactions to new executive orders).

##### **McKinsey Washington's Commonwealth Title III Team Detailed Activities by Deliverable:**

- Updated revenues in the Fiscal Plan to reflect actual data and pressure tested long-term assumptions
  - Worked with Hacienda and macroeconomists to analyze FY2018 tax collections and determine which revenues were related to one-time events, reconstruction activity, or to structural changes in the economy
  - Refined perspectives on tax refunds based on data related to FY2018 reserves, payments, and actual refund requests
  - Pressure tested long-term projections based on new information related to export sector
- Refined federal fund assumptions and projections
  - Met with federal government representatives to pressure test and update federal fund estimates
  - Refined private insurance estimates based on final data

- Updated roll out to reflect observations by federal and other officials on the ground
- Monitored all updates related to federal funds (e.g., for health centers, immigration center reconstruction, social benefits) and incorporated into plan
- Refined macroeconomic projections
  - Refined estimates related to FY2018 and FY2019 growth based on new reports on FY2018 (i.e., from Planning Board, manufacturing index) and revenue data
  - Based on new federal fund assumptions, refined pass-through estimates as well as cyclical reversal
- Refined expenditure baseline and measures based on actuals
  - Identified new information needed across measures to refine (e.g., uniform health assumptions, pensions)
  - Utilized TSA and other cash data to refine understanding of FY2018 actual spend versus budget
  - Worked with ASES to understand current state of Mi Salud actual expenditures (based on population and PMPM) to refine baseline assumptions and projections
- Supported communication of Fiscal Plan related items within budgets and for implementation
  - Met with agencies to discuss and explain changes from FY2018 to FY2019 budgets based on measures
  - Where needed, researched additional items (e.g., other income, FY2019 federal fund flows) based on agency proposed changes to budget
  - Identified, compiled and refined Fiscal Plan milestones needed for government to maintain compliance with plan and its savings targets
- Updated, maintained, and conducted ongoing quality assurance on hundreds of inputs to macroeconomic models forecasting the future course of the economy of Puerto Rico
- Developed analysis to bridge the Fiscal Plan surplus with the Treasury Single Account (TSA) actuals and identified critical updates to the Fiscal Plan based on this analysis
  - Developed detailed analysis of FY18 TSA cash actuals and compared these actuals against line items of the Certified Fiscal Plan – during this analysis, the team engaged with the Board and with Government advisors
  - Determined critical updates to the CW Fiscal Plan following the analysis of TSA cash actuals and the identification of recurring vs. one-time storm-related variances
  - Engaged with Board and Government advisors to align on adjustments to Fiscal Plan drafting formal letters for the Board requesting data and explanations from agencies on major variances, conducting working sessions, and holding multiple meetings with PR government
- Developed framework and draft model supporting development to Best Interest analysis

- Assisted Board in developing response to Disaster Recovery Plan, meeting to discuss economic projections used in the Commonwealth Fiscal Plan
- Supported Board creation of Annual Report
- Supported Board members in various requests related to Fiscal Plan and budget
- Coordinated with FOMB counsel to support litigation and mediation efforts as necessary, and coordinated with Board's legal advisor Proskauer on Privilege log/ rule 2004 data requests
- Supported the Board in developing perspectives and replies to ad hoc requests/ questions related to Fiscal Plan and budget from Board Executives and Creditors/ Creditor advisor

### **McKinsey Washington's Commonwealth Title III Team Detail and Contributions**

The McKinsey team was led by Bertil Chappuis, Kevin Carmody, Thomas Dohrmann, Tyler Duvall, Jonathan Davis and Ojas Shah, who provided overall strategic guidance, expert input and coordination, as well as an Associate Partners (Sara O'Rourke and Todd Wintner), who provided direction to the working team, expert input and stakeholder management. The working team consisted of a full-time Engagement Manager (Justin Reed), Associates (Isabella Bennett and Dean Udom) and Analysts (Charlotte Clinger, Peter Bailinson and Logan Schuelke).

- Bertil Chappuis (Senior Partner – part time – overall strategic direction)
  - Provided overall quality control on team content
  - Responsible for relationships with key stakeholders, including Board, Board staff and co-advisors
  - Led on-the-ground Puerto Rico stakeholder interaction in order to drive real-time insights
  - Participated in Board meetings and sessions to review updates and next steps to the Fiscal Plan
- Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring)
  - Participated in team problem solving sessions related to preliminary best interest test
  - Provided quality control on various team work streams
  - Reviewed analyses related to preliminary analysis of TSA cash activity and correlation to certified fiscal plan
- Thomas Dohrmann (Senior Partner – part time – overall strategic direction)
  - Participated in select Board sessions and FOMB meetings discussing Fiscal Plan next steps
  - Participated in team problem solving sessions related to the Fiscal Plan

- Tyler Duvall (Partner – part time – overall strategic direction)
  - Provided overall leadership across all aspects of the Fiscal Plan development process
  - Led team's participation in board working sessions related to Commonwealth Fiscal Plan
  - Problem solved with the various working team members all areas of analysis, ensuring consistency, pressure testing assumptions, and framing decisions for board
  - Provided expertise on various agency efficiencies measures, including personnel and non-personnel spend; opportunities for increased technology investment in government; procurement reform, etc.
  - Counseled FOMB staff leadership and Board members on various Fiscal Plan components and approach
  - Conducted review sessions and provided feedback on cost and macroeconomic models
- Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms)
  - Provided overall guidance for Board and Executive Director briefing materials on the Commonwealth fiscal plan
  - Conducted analyses of revenue and macroeconomic trends in light of FY 2018 actuals
  - Attended working session with Government and advisors on revenue actuals for FY 2018 and forward-looking trends
  - Conducted review sessions and provided feedback on revenue and macroeconomic models
- Ojas Shah (Partner – part time – content director on Fiscal Plan Expenditures and Restructuring)
  - Led additional work on refinement of draft Best Interest analysis model
  - Led overall work with regards to analysis of TSA cash activity and correlation to certified fiscal plan
  - Participated in several discussions with FOMB macroeconomist and demographer regarding latest analysis and data insights
  - Participated in discussions regarding updates to UPR fiscal plan and coordination with Commonwealth plan
  - Provide oversight in preliminary analysis of payroll actuals versus fiscal plan
  - Participate in several meetings with government financial advisors with regards various data points on FY18 actual performance
  - Participate in discussion with Retiree committee advisors related to latest PayGo assumptions
  - Participate in weekly Board meetings/call to discuss latest activity and issues to be addressed

- Todd Wintner (Associate Partner – part time – content director on Healthcare and Education)
  - Directed work on all matters related to healthcare and education and led quality control of all Board materials /documentation related to healthcare and education
  - Provided integration across UPR and Commonwealth Fiscal Plans
- Sara O'Rourke (Associate Partner – full time – fiscal plan & integrating engagement director)
  - Led all major board working sessions related to Commonwealth Fiscal Plan
  - Provided overall guidance and quality control on Board materials and briefing documents related to the Commonwealth Fiscal Plan
  - Played integrating thought leader role across all areas of analysis, ensuring consistency, pressure testing assumptions, and framing decisions for board
  - Served as expert on all agency efficiencies measures, as well as on select structural reforms (e.g., Ease of Doing Business, Labor reform, NAP, etc.)
  - Led work across Board advisor teams, as well as in collaboration with Government, to launch relevant data requests and analyses related to new data
  - Provided problem solving support to Board and working teams on major reform topics, e.g., agency efficiencies, compensation related measures, etc.
  - Served as integrator across all Fiscal Plan teams to ensure consistency
- Justin Reed (Engagement Manager – full time – restructuring engagement manager)
  - Led workstream developing perspective on TSA comparability to the fiscal plan certified June 29, 2018 and implications on updates to Fiscal Plan after engagement with government partners
  - Organized and participated in cross-advisor calls and meetings to coordinate mediation support efforts with Government advisors
  - Led development of litigation support materials (e.g., organizing responses to requests for communications and documents and coordinating with legal advisors)
  - Supported efforts to translate the June 29 Certified Fiscal Plan into FY19 budget by working with government advisors to ensure revisions to the plan were incorporated into Commonwealth's FY19 budget
  - Supported fiscal plan update process including development of various analyses on revenue updates, expenditure adjustments based on updates to legislation, assumptions documentation, and ensuring accuracy of fiscal plan exhibits
  - Led workstream to develop initial draft of best interest analysis on revised June 29 Certified Fiscal Plan, including scenario analysis of Puerto Rican economy and creditor recovery after revisions to June 29 Fiscal Plan
  - Supported development of *ad hoc* analyses requested by the FOMB related to FY19 budget and fiscal plan

- Isabella Bennett (Associate – full time – restructuring, payroll and other)
  - Collaborated with other Board advisors and joined meetings at Hacienda to update revenues for 2018 actuals and determine what would be reoccurring vs. one-time shift to revenue projections
  - Supported significant engagement with government partners to refine linking of TSA reporting to the Fiscal Plan, and define adjustments to be integrated into the Fiscal Plan (e.g., to understand over-budgeting and drivers of variance)
  - Analyzed government data submissions to develop initial perspective on drivers of variance between cash actuals and budget (e.g., Department of Education headcount data for full-time vs. transitory teachers)
  - Collaborated with Board staff, Board advisors, and Government partners to conduct diligence on reapportionments granted to agencies throughout FY18, including of different databases to organize reapportionments before Board had finalized reapportionment approval process
  - Led integration into Fiscal Plan of reapportionments and adjustments to agency budgets based on cash actuals
  - Responded to agency communications related to FY19 budgets, helping to explain how the Board arrived at their budget allocation (e.g., explaining assumptions to PR Tourism Company)
- Dean Udom (Associate – full time – cash analysis, budget and other)
  - Led analysis of FY18 TSA cash reports to reconcile cash balances with Fiscal Plan ending surplus/ deficit for FY18
  - Held meetings with government advisors to understand contents of TSA report to further progress with reconciliations
  - Held meetings with EY to finalize FY19 budget and ensure budget was consistent with the FP
- Peter Bailinson (Analyst – full time – fiscal plan macro, revenues, rightsizing and other)
  - Managed working team responsible for incorporating updates to the June Fiscal Plan
  - Responded to agency communications related to their FY19 budgets, helping to explain how the Board arrived at their budget allocation (e.g., bridging their FY18 budget to the FY19 budget, mapping all measures)
  - Analyzed Government of Puerto Rico's Disaster Recovery Plan based on the Certified Fiscal Plan
  - Worked with Proskauer to analyze how the Puerto Rican Legislative Assembly's budget compares to the budget of other full-time legislatures throughout the U.S. mainland
- Logan Schuelke (Analyst – full time – restructuring and other)
  - Developed initial analysis mapping the Commonwealth's TSA reporting to the Fiscal Plan comparable items

- Completed detailed analysis of FY18 TSA cash actuals relative to the expectations of the Certified Fiscal Plan and developed initial perspective on impacts of cash analysis on updates to the CW Fiscal Plan, including through significant engagement with government partners to refine linking of TSA reporting to the Fiscal Plan
- Conducted deep dives to understand drivers and implications of spend and revenue categories with significant variances from Fiscal Plan expectations (e.g., through engagement with Board and Government advisors, developing formal letters for the Board to submit to agencies on major variances, conducting working sessions, and holding multiple meetings with PR government)
- Developed analysis of the impact of budgetary reapportionments on the Fiscal Plan baseline
- Developed comparisons of other methods of government reporting of actuals including non-TSA account balances and “business-to-actuals” (B2A) reporting relative to the Certified Fiscal Plan
- Supported refining the CW Fiscal Plan in consideration of cash actuals
- Charlotte Clinger (Analyst – full time – fiscal plan macro, revenues and structural reforms)
  - Reviewed Government implementation submissions for agency efficiencies (including DDEC, SIFC, PRDE, DCR, and DOH)
  - Conducted working sessions with Government on FY18 revenue actuals to test elements of revenue shifts that would be disaster-related and ensure alignment on inputs
  - Worked with Board macroeconomist Andy Wolfe to analyze FY18 revenue actuals and assess the implications of these actuals for Board macroeconomic perspective; worked with Andy to continue testing views on key macroeconomic issues (including inflation, growth rate factors, structural reforms, disaster relief spending, pass-through)



**EXHIBIT E**

***July 2018 Invoice***

## McKinsey&Company

The Financial Oversight and  
Management Board for Puerto Rico  
PO Box 195556  
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant  
[accountspayable@promesa.gov](mailto:accountspayable@promesa.gov)

**Invoice No: USG-5204**

Consulting Agreement  
Client for Strategic Consulting support related to  
the Title III Cases  
Effective Agreement Date: November 1, 2017  
Ammendment Date: April 1, 2018

Invoice Date: 8/30/2018

---

Net 30

### FFP Payment Schedule for Commonwealth Services

**Invoice PoP:** July 1, 2018 – July 31, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$	1,164,176.16
Gross invoice amount for services performed in Puerto Rico:	\$	356,794.14
<b>Subtotal</b>	<b>\$</b>	<b>1,520,970.30</b>
Less withholding tax deducted at source	\$	(103,470.30)
<b>Net Invoice Payable:</b>	<b>\$</b>	<b>1,417,500.00</b>

**Total Invoice:** \$1,417,500.00

Please wire transfer payment to:  
McKinsey & Company, Inc.  
Citibank N.A.  
Bank Account Number: [REDACTED]  
Bank ABA Routing Number: [REDACTED]

If remitting by check please send check to:  
McKinsey & Company, Inc.  
P.O. Box 7247-7255  
Philadelphia, PA 19170-7255

Federal Tax ID#: [REDACTED]

**Please reference the invoice number and invoice date on your remittance advice.**

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re: PROMESA  
Title III  
  
THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,  
  
as representative of No. 17 BK 3283-LTS  
  
THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)  
  
Debtors.<sup>1</sup>

-----X

**EIGHTH MONTHLY FEE STATEMENT OF MCKINSEY & COMPANY, INC.  
WASHINGTON D.C. FOR COMPENSATION FOR SERVICES RENDERED TO THE  
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS  
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO  
FOR THE PERIOD AUGUST 1, 2018 THROUGH AUGUST 31, 2018**

Name of Professional: McKinsey & Company, Inc. Washington D.C.  
("McKinsey Washington")  
  
Authorized to Provide Services to: The Financial Oversight and Management Board for  
Puerto Rico, as Representative of the Debtors  
Pursuant to PROMESA Section 315(b)  
  
Period for which compensation  
and reimbursement is sought: August 1, 2018 – August 31, 2018  
  
Amount of compensation sought  
as actual, reasonable and necessary: **\$1,417,500.00**  
  
Amount of expense reimbursement sought  
sought as actual, reasonable and necessary<sup>2</sup>: **\$0.00**  
  
Type of Fee Statement: Eighth Monthly Fee Statement:  
Commonwealth Title III Support<sup>3</sup>

<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

<sup>2</sup> McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

<sup>3</sup> Notice of this Eighth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Eighth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “Interim Compensation Procedures”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey Washington”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico (the “Debtors” or the “Board”), hereby serves this Eighth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of August 2018 (the “Fee Period”) pursuant to the “Commonwealth Title III Support” Scope of Work of the consulting agreement between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit A. Pursuant to the Interim Compensation Procedures, a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Eighth Monthly Fee Statement, is attached as Exhibit C.
2. By this Eighth Monthly Fee Statement: Commonwealth Title III Support, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting

Agreement during the Fee Period in the amount of \$1,275,750 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Procedures).

**Summary of Services Rendered During the Fee Period**

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Consulting Agreement Commonwealth Title III Support.<sup>4</sup>
4. Included at Exhibit D is a detailed description of McKinsey Washington's scope of services, deliverables and team member activities, pursuant to the Commonwealth Title III Support Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice<sup>5</sup> for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Commonwealth Title III Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$1,417,500 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$1,275,750).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.

---

<sup>4</sup> McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

<sup>5</sup> The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

### **Representations**

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Eighth Monthly Fee Statement: Commonwealth Title III Support due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures.

### **Notice**

10. Notice of this Eighth Monthly Fee Statement: Commonwealth Title III Support has been or will be provided by overnight delivery or e-mail to:
  - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison

- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. ([ppossinger@proskauer.com](mailto:ppossinger@proskauer.com));
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. ([hermann.bauer@oneillborges.com](mailto:hermann.bauer@oneillborges.com));
  - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. ([jrapisardi@omm.com](mailto:jrapisardi@omm.com)), Suzzanne Uhland, Esq. ([suhland@omm.com](mailto:suhland@omm.com)), and Diana M. Perez, Esq. ([dperez@omm.com](mailto:dperez@omm.com));
  - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. ([lmardini@mpmlawpr.com](mailto:lmardini@mpmlawpr.com)) and Carolina Velaz-Rivero Esq. ([cvelaz@mpmlawpr.com](mailto:cvelaz@mpmlawpr.com));
  - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
  - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. ([lucdespins@paulhastings.com](mailto:lucdespins@paulhastings.com));
  - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. ([jcasillas@cstlawpr.com](mailto:jcasillas@cstlawpr.com)) and Alberto J.E. Añeses Negrón, Esq. ([aaneses@cstlawpr.com](mailto:aaneses@cstlawpr.com));
  - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. ([rgordon@jenner.com](mailto:rgordon@jenner.com)) and Richard Levin, Esq. ([rlevin@jenner.com](mailto:rlevin@jenner.com)), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. ([csteeg@jenner.com](mailto:csteeg@jenner.com)) and Melissa Root, Esq. ([mroot@jenner.com](mailto:mroot@jenner.com));
  - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequiera, Esq. ([ajb@bennazar.org](mailto:ajb@bennazar.org));
  - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central

Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury ([Francisco.Pena@hacienda.pr.gov](mailto:Francisco.Pena@hacienda.pr.gov));

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$1,275,750 representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: November 2, 2018  
Washington DC

McKinsey & Company, Inc. Washington DC

s/Tyler Duvall  
Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC  
1200 19th St NW #1000  
Washington, DC 20036  
Telephone: (202) 662-3100  
Email: [Tyler\\_Duvall@Mckinsey.com](mailto:Tyler_Duvall@Mckinsey.com)

*Strategic Consultant to the Debtors*



**EXHIBIT A**

***Consulting Services Agreement  
Between McKinsey Washington and the Board  
In Support of the Title III Litigation  
(entered in on or about and July 3, 2017, Amendment No. 1 effective  
November 1, 2017, Amendment No. 2 effective April 1, 2018  
(the “Consulting Agreement”)  
Statement of Work for Commonwealth Title III Support***

***PROPRIETARY and CONFIDENTIAL***

CONSULTING AGREEMENT

**McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. SERVICES. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. COMPENSATION. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. CONFIDENTIALITY. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. INTELLECTUAL PROPERTY. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

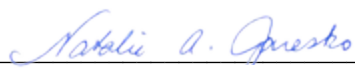
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

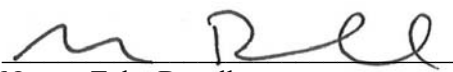
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico  
(Client)

McKinsey & Company, Inc., Washington D.C.

  
Name: Natalie A. Jaresko  
Title: Executive Director  
Date: Sept. 12, 2017

  
Name: Tyler Duvall  
Title: Partner  
Date: September 8, 2017

**ATTACHMENT 1**  
**Scope of Work**  
**For**  
**Commonwealth Title III Support**

**Services:**

In regards to support for the Commonwealth Title III proceedings to the Board to include:

*Activities:*

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
  - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
  - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
  - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
  - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
  - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
  - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverable:*

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

### **Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for PREPA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

**1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required (e.g. updated IRP for PREPA)
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance



- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.



**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for HTA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

**Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS FIRST AMENDMENT** to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

**WHEREAS**, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

**1. SERVICES.**

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

**11. MISCELLANEOUS.**

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

**IN WITNESS WHEREOF**, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board  
For Puerto Rico**

  
Name: Natalie A. Jaresko

Title: Executive Director

Date:

**McKinsey & Company, Inc., Washington D.C.**

  
Name: Tyler Duvall

Title: Principal

Date: March 8, 2018

**AMENDED ATTACHMENT 1**  
**Scope of Work For Commonwealth Title III Support**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

Support for the Commonwealth Title III proceedings to the Board to include the following:

***I. Measure:***

- Revising fiscal measures contained in the March 13<sup>th</sup> Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

***II. Baseline and Macro:***

- Reviewing full certified March 13<sup>th</sup> Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

***III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

\* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**AMENDED ATTACHMENT 3**  
**Scope of Work For Title III Support for HTA**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

\*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

\*\* For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).





**SECOND AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC  
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS SECOND AMENDMENT** to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

**WHEREAS**, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.



IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board  
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

**McKinsey & Company, Inc., Washington D.C.**



Name: Tyler Duvall

Title: Partner

**SECOND AMENDED ATTACHMENT 3**  
**Scope of Work for Title III Support for HTA**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

*In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:*

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
  - Capex program priorities and efficiency measures
  - Opportunities to increase revenues
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

**SECOND AMENDED ATTACHMENT 1**  
**Scope of Work for Commonwealth Title III Support**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

***Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**EXHIBIT B**

*Certification of McKinsey Washington Partner Tyler Duvall*

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

-----X

In re:	PROMESA Title III
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,	
as representative of	No. 17 BK 3283-LTS
THE COMMONWEALTH OF PUERTO RICO, <i>et al.</i>	(Jointly Administered)
Debtors.	

-----X

**CERTIFICATION OF TYLER DUVALL**

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Eighth Monthly Fee Statement: Commonwealth Title III Support are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Eighth Monthly Fee Statement: Commonwealth Title III Support complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
  - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
  - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;

- iii. The amounts of these invoice are reasonable;
- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: November 2, 2018  
Washington, DC

s/Tyler Duvall

Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC



**EXHIBIT C**

***Certification of FOMB Executive Director Natalie Jaresko***

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA  
Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
et al.

(Jointly Administered)

Debtors.

-----X

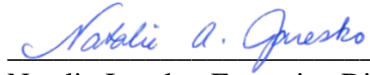
**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S  
MONTHLY FEE STATEMENTS FOR THE MONTH OF AUGUST 2018**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight And Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in August 2018 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of August 2018, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: October \_\_, 2018



Natalie Jaresko, Executive Director  
The Financial Oversight and  
Management Board For Puerto Rico

## **EXHIBIT D**

### **Title III Support for Commonwealth**

#### **August 2018**

##### **Summary of Work**

In August, the Commonwealth Title III team focused on five deliverables critical for moving forward the Title III process for the Commonwealth of Puerto Rico; 1) update of the Commonwealth Fiscal Plan to reflect the latest data available to the Board, 2) review of the updated Government Fiscal Plan and efforts to gain alignment with Government and Government's advisors on the updated data and assumptions, 3) development of an FY18 Implied Cash Surplus analysis, in part as a response to an analysis done by certain creditor advisors, 4) review of a draft FY19 Liquidity Plan as created by the Government and its advisors, and 5) other miscellaneous activities such as litigation support and other *ad hoc* requests from the Board.

The team led multiple Board and executive director sessions to tee up various decisions (e.g., Macro and revenue assumptions, Medicaid assumptions, updates for Payroll actuals, etc.), and worked with Government stakeholders and Puerto Rican Instrumentalities to ensure consistency in the respective Fiscal Plans. The team worked directly with the Board, the Executive Director, and Board Staff in the following areas (in addition to providing ad hoc support as needed):

##### **McKinsey Washington's Commonwealth Title III Team Detailed Activities by Deliverable:**

- Updated the Commonwealth Fiscal Plan to reflect the latest data available to the Board
  - Conducted many problem solving sessions with Macro economists Andy Wolfe and Martin Baily to refine the Macro assumptions in the Fiscal Plan model, specifically with regards to cyclical reversal, pass-through rate of Disaster Related Funds, GNP projections, demographics, etc.
  - Refined assumptions on revenue baseline and growth projections (e.g., Act 154, motor vehicle taxes, etc.), through alignment sessions with Government and its advisors and based on latest information available to the Board
  - Collaborated with the Government and its advisors to obtain data on FY18 actuals for payroll and non-payroll opex expenditures; reviewed and analyzed this data and determined how to incorporate it in the Fiscal Plan model
  - Assessed the status of fiscal measures and structural reforms, for instance through implementation meetings, to establish the latest perspective on how both fiscal measures and structural reforms should be reflected in the Fiscal Plan model
  - Investigated historical healthcare inflation numbers for both the mainland and the Commonwealth, seeking to establish consensus with Board Executives regarding the short-term and long-term growth rates of healthcare costs
  - Modeled the impact of the above decisions in the Commonwealth Fiscal Plan

- Reviewed the updated Government Fiscal Plan and aligned with Government and Government's advisors on the updated data and assumptions
  - Conducted detailed comparison between the updated Government Fiscal Plan and the updated FOMB Fiscal Plan and discussed areas of variance with Government and its advisors in order for both to best reflect the latest information available
  - Pressure-tested the Government Fiscal Plan and its assumptions
  - Developed a perspective on the Government's Fiscal Plan and discussed it with the Board and its Executives during multiple Board meetings
  - Drafted a Notice of Violation addressing all areas of concern regarding the Government's updated Fiscal Plan
- Refined the FY18 Implied Cash Surplus analysis
  - Updated the FY18 Implied Cash Surplus analysis with the latest available actuals and estimates from the Fiscal Plan
  - Reviewed the updated FY18 Implied Cash Surplus analysis with the Board Executives
- Reviewed the FY19 Liquidity Plan as created by the Government and its advisors
  - Discussed "overall cash picture" analysis with FOMB staff (i.e., TSA cash analysis, IFCU cash analysis, changes in non-TSA/IFCU cash)
  - Aligned on workplan with FOMB staff regarding review and analysis of FY19 liquidity plan
  - Conducted initial diligence on FY19 liquidity plan and organized multiple touchpoints with government to review FY19 liquidity plan
  - Started the reconciliation of plan of disbursements with the FY19 budget
- Ensured follow-up on pending litigation topics
  - Coordinated with Proskauer on McKinsey's involvement in Disclosure Statement discussion
  - Coordinated with Proskauer on Privilege log/ rule 2004 data requests
- Supported the Board in developing perspectives and replies to *ad hoc* requests/ questions related to Fiscal Plan and budget from Board Executives and Creditors/ Creditor advisors

### **McKinsey Washington's Commonwealth Title III Team Detail and Contributions**

The McKinsey team was led by Bertil Chappuis, Kevin Carmody, Thomas Dohrmann, Tyler Duvall, Jonathan Davis and Ojas Shah, who provided overall strategic guidance, expert input and coordination, as well as an Associate Partners (Sara O'Rourke and Todd Wintner), who provided direction to the working team, expert input and stakeholder management. The working team consisted of a full-time Engagement Managers (Steven Van Camp and Justin Reed), Associate (Isabella Bennett) and Analysts (Charlotte Clinger, Peter Bailinson and Logan Schuelke).

- Bertil Chappuis (Senior Partner – part time – overall strategic direction)
  - Provided overall quality control on team content
  - Responsible for relationships with key stakeholders, including Board, Board staff and co-advisors
  - Led on-the-ground Puerto Rico stakeholder interaction in order to drive real-time insights
  - Participated in Board meetings and sessions to review updates to the Certified June 29<sup>th</sup> Commonwealth Fiscal Plan
- Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring)
  - Reviewed draft FY19 liquidity plan presented to FOMB by the government
  - Participated in problem solving sessions regarding the development and refinement of FY18 implied cash surplus analysis
  - Participated in cross advisor and FOMB discussions regarding new data and updated fiscal plan assumptions
  - Participated in Board and FOMB calls to provide updates regarding Title III and fiscal plan related analyses
- Thomas Dohrmann (Senior Partner – part time – overall strategic direction)
  - Participated in select Board sessions and FOMB meetings discussing the update of the Fiscal Plan
  - Participated in team problem solving sessions related to the updated Fiscal Plan
- Tyler Duvall (Partner – part time – overall strategic direction)
  - Provided overall leadership related to Board and Executive Director briefing materials on the Commonwealth Fiscal Plan
  - Problem solved regularly with team to develop and refine of FY18 implied cash surplus analysis
  - Worked directly with everyday team leadership across all areas of analysis, problem solving different assumptions and framing decisions for board
  - Provided overall McKinsey leadership to counsel FOMB leadership and Board members across all material elements of Fiscal Plan
  - Along with other McKinsey leadership, pressure tested overall Fiscal Plan model outputs and supported team on approach to testing key indicators in the short and long term
- Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms)
  - Provided overall guidance for Board and Executive Director briefing materials on the Commonwealth Fiscal Plan

- Conducted follow up sessions on revenue actuals for FY 2018 with Government and advisors
- Led analysis and Board/ Executive Director briefings on revenue and macroeconomic elements of the Government's Fiscal Plan submission
- Conducted review of overall Fiscal Plan model outputs and led team on approach to pressure testing key indicators in the short and long term
- Ojas Shah (Partner – part time – content director on Fiscal Plan Expenditures and Restructuring)
  - Led overall assessment of draft FY19 liquidity plan presented to FOMB by the government
  - Oversaw development and refinement of FY18 implied cash surplus analysis
  - Participated in several cross advisor and FOMB discussions regarding new data and updated fiscal plan assumptions
  - Participated is discussed with FOMB staff regarding Fiscal Plan to budget reconciliation and consistency analyses
  - Led discussions with government and government advisors regarding assessment of payroll and expense actual data for FY18
  - Participated in several working sessions with McKinsey team to review and assess changes necessary for updating Commonwealth fiscal plan
  - Participate in day long Board strategy session regarding fiscal plan update approach and process
  - Participated in Board and FOMB calls to provide updates regarding Title III and fiscal plan related analyses
- Todd Wintner (Associate Partner – part time – content director on Healthcare and Education)
  - Directed work on all matters related to healthcare and education and led quality control of all Board materials/ documentation related to healthcare and education
  - Liaised with Government advisors and actuarial consultants to pressure test and explore alternative growth patterns in short- and long-term healthcare expenditure
  - Provided integration across UPR and Commonwealth Fiscal Plans
- Sara O'Rourke (Associate Partner – full time – integrating engagement director)
  - Led all major Board working sessions related to Commonwealth Fiscal Plan
  - Provided overall guidance and quality control on Board materials and briefing documents related to the Commonwealth Fiscal Plan
  - Played integrating thought leader role across all areas of analysis, ensuring consistency, pressure testing assumptions, and framing decisions for board
  - Served as expert on all agency efficiencies measures, as well as on select structural reforms (e.g., Ease of Doing Business, Labor reform, NAP, etc.)

- Led work across Board advisor teams, as well as in collaboration with government, to launch relevant data requests and analyses related to new data
- Provided problem solving support to Board and working teams on major reform topics, e.g., agency efficiencies, compensation related measures, etc.
- Served as integrator across all Fiscal Plan teams to ensure consistency
- Steven Van Camp (Engagement Manager – full time – integrating engagement manager)
  - Led the daily working team in delivering on the August deliverables, specifically by helping the team prioritize activities, by providing integration across fiscal policy and restructuring topics and by reviewing and conducting quality control of analyses and decision documents
  - Provided the working team with Problem Solving support on topics such as FY18 Implied Cash Surplus analysis, FY19 Liquidity Plan analysis, and Fiscal Plan updates, specifically with regards to payroll and non-payroll opex expenditures
  - Served as expert on restructuring related topics (e.g., FY18 Implied Cash Surplus, FY19 Liquidity Plan, etc.)
  - Assisted the FOMB staff in Problem Solving sessions, specifically regarding expenditures such as payroll expenditure
- Justin Reed (Engagement Manager – full time – restructuring engagement manager)
  - Organized and participated in cross-advisor calls and meetings to coordinate mediation support efforts with government advisors
  - Led efforts to refine Fiscal Plan baseline expenditures based on FY18 TSA cash actuals
  - Led development of analysis used to adjust Fiscal Plan for budget reapportionments approved and realized in FY18
  - Led initial review of draft FY19 liquidity plan working papers submitted by the government
- Isabella Bennett (Associate – full time – healthcare, pensions, payroll and other)
  - Facilitated Board decisions on assumptions driving projected Medicaid costs/ federal funding for Medicaid, through leading engagement with Board advisors, team working sessions, and analysis of alternatives' impact on Fiscal Plan
  - Conducted detailed analysis comparing the Government's Fiscal Plan to the Oversight Board's Fiscal Plan model in order to facilitate alignment between the Board and Government for the upcoming publication of the revised Fiscal Plan
  - Supported engagement with Board advisor William Fonia on pension cost baseline, and responses to public concerns about Fiscal Plan pension projections/ measures to revise pension system expenditures
  - Conducted working sessions with Board advisors, Government, and Government advisors to review FY 2018 actuals for Commonwealth expenditures, determine impact on Fiscal Plan, and integrate adjustments where appropriate
- Peter Bailinson (Analyst – full time – Fiscal Plan macro, revenues, rightsizing and other)



- Oversaw the creation of content for the August 15th Board Strategy Session to facilitate Board decisions on all Fiscal Plan updates (e.g., incorporating revenue actuals, adjustments to fiscal measures)
- Connected with macroeconomists to discuss how their near- and long-term projections for Puerto Rico compare with projections contained in the Certified Fiscal Plan
- Analyzed the impact of Executive Order OE-2018-033 on the Fiscal Plan (e.g., EO to raise minimum wage for public construction employees), and recommended changes to structural reforms scoring based on impact
- Met repeatedly with representatives from FEMA to update Disaster Recovery Funding estimates (e.g., total amount of funding expected, length of rollout), and updated Oversight Board perspective as a result
- Responded to agency communications related to their FY19 budgets, helping to explain how the Board arrived at their budget allocation (e.g., bridging their FY18 budget to the FY19 budget, mapping all measures)
- Logan Schuelke (Analyst – full time – restructuring and other)
  - Refined analysis of FY18 TSA cash actuals relative to the expectations of the Certified Fiscal Plan, to include the full variety of data sources analyzed, modeling various account balance and budget scenarios
  - Refined deep dives to understand drivers of significant variances between Fiscal Plan and TSA cash actuals, including refining perspective of cash actuals outside of the TSA
  - Refined the FY18 Implied Cash Surplus analysis with the latest available actuals and estimates from the Fiscal Plan and socialized the updated FY Implied Cash Surplus analysis with the Board Executives
  - Developed letters, conducted working sessions, and multiple meetings with PR government to understand drivers of key variances between Fiscal Plan and TSA cash actuals
  - Supported ongoing litigation efforts in relation to the Commonwealth’s Fiscal Plan including development of supporting documents as requested by legal partners
  - Developed analysis of Commonwealth’s liquidity needs relative to the Certified Fiscal plan and worked with government to refine liquidity analysis and reporting
- Charlotte Clinger (Analyst – full time – Fiscal Plan macro, revenues and structural reforms)
  - Engaged FEMA to better understand initial damage assessment and disaster relief funding time horizon (both in terms of overall spend and rollout)
  - Worked with Board macroeconomist Andy Wolfe to finalize perspectives on key macro issues including pass-through, multiplier, structural reforms and growth potential, damage assessment and disaster relief funding
  - Conducted alignment meetings with Government to solidify revenues projections and uniform incorporation of available FY18 data

- Worked with Board demographer Lyman Stone to prepare webinar for external stakeholders on the Fiscal Plan's demographic projections and assumptions
- Reviewed Government Fiscal Plan submission against Board macroeconomic assumptions and revenue projection methodology; worked with Government to find areas of agreement

**EXHIBIT E**

*August 2018 Invoice*

## McKinsey&Company

The Financial Oversight and  
Management Board for Puerto Rico  
PO Box 195556  
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant  
[accountspayable@promesa.gov](mailto:accountspayable@promesa.gov)

**Invoice No: USG-GPC026-5272**

Consulting Agreement  
Client for Strategic Consulting support related to  
the Title III Cases  
Effective Agreement Date: November 1, 2017  
Ammendment Date: April 1, 2018

Invoice Date: 9/28/2018

---

Net 30

### FFP Payment Schedule for Commonwealth Services

**Invoice PoP:** August 1, 2018 – August 31, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$	1,251,628.57
Gross invoice amount for services performed in Puerto Rico:	\$	233,621.73
<b>Subtotal</b>	<b>\$</b>	<b>1,485,250.30</b>
Less withholding tax deducted at source	\$	(67,750.30)
<b>Net Invoice Payable:</b>	<b>\$</b>	<b>1,417,500.00</b>

**Total Invoice:** \$1,417,500.00

Please wire transfer payment to:  
McKinsey & Company, Inc.  
Citibank N.A.  
Bank Account Number: [REDACTED]  
Bank ABA Routing Number: [REDACTED]

If remitting by check please send check to:  
McKinsey & Company, Inc.  
P.O. Box 7247-7255  
Philadelphia, PA 19170-7255

Federal Tax ID#: [REDACTED]

**Please reference the invoice number and invoice date on your remittance advice.**

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.<sup>1</sup>

-----X

**NINTH MONTHLY FEE STATEMENT OF MCKINSEY & COMPANY, INC.  
WASHINGTON D.C. FOR COMPENSATION FOR SERVICES RENDERED TO THE  
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS  
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO  
FOR THE PERIOD SEPTEMBER 1, 2018 THROUGH SEPTEMBER 30, 2018**

Name of Professional:	McKinsey & Company, Inc. Washington D.C. ("McKinsey Washington")
Authorized to Provide Services to:	The Financial Oversight and Management Board for Puerto Rico, as Representative of the Debtors <u>Pursuant to PROMESA Section 315(b)</u>
Period for which compensation and reimbursement is sought:	<u>September 1, 2018 – September 30, 2018</u>
Amount of compensation sought as actual, reasonable and necessary:	<b><u>\$1,417,500.00</u></b>
Amount of expense reimbursement sought sought as actual, reasonable and necessary <sup>2</sup> :	<b><u>\$0.00</u></b>
Type of Fee Statement:	Ninth Monthly Fee Statement: <u>Commonwealth Title III Support</u> <sup>3</sup>

<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

<sup>2</sup> McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

<sup>3</sup> Notice of this Ninth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Ninth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “Interim Compensation Procedures”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey Washington”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico (the “Debtors” or the “Board”), hereby serves this Ninth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of September 2018 (the “Fee Period”) pursuant to the “Commonwealth Title III Support” Scope of Work of the consulting agreement between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit A. Pursuant to the Interim Compensation Procedures, a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Ninth Monthly Fee Statement, is attached as Exhibit C.
2. By this Ninth Monthly Fee Statement: Commonwealth Title III Support, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting

Agreement during the Fee Period in the amount of \$1,275,750.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Procedures).

**Summary of Services Rendered During the Fee Period**

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Consulting Agreement Commonwealth Title III Support.<sup>4</sup>
4. Included at Exhibit D is a detailed description of McKinsey Washington's scope of services, deliverables and team member activities, pursuant to the Commonwealth Title III Support Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice<sup>5</sup> for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Commonwealth Title III Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$1,417,500.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$1,275,750.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.

---

<sup>4</sup> McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

<sup>5</sup> The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

### **Representations**

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Ninth Monthly Fee Statement: Commonwealth Title III Support due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures.

### **Notice**

10. Notice of this Ninth Monthly Fee Statement: Commonwealth Title III Support has been or will be provided by overnight delivery or e-mail to:
  - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison



- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. ([ppossinger@proskauer.com](mailto:ppossinger@proskauer.com));
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. ([hermann.bauer@oneillborges.com](mailto:hermann.bauer@oneillborges.com));
  - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. ([jrapisardi@omm.com](mailto:jrapisardi@omm.com)), Suzzanne Uhland, Esq. ([suhland@omm.com](mailto:suhland@omm.com)), and Diana M. Perez, Esq. ([dperez@omm.com](mailto:dperez@omm.com));
  - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. ([lmardini@mpmlawpr.com](mailto:lmardini@mpmlawpr.com)) and Carolina Velaz-Rivero Esq. ([cvelaz@mpmlawpr.com](mailto:cvelaz@mpmlawpr.com));
  - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
  - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. ([lucdespins@paulhastings.com](mailto:lucdespins@paulhastings.com));
  - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. ([jcasillas@cstlawpr.com](mailto:jcasillas@cstlawpr.com)) and Alberto J.E. Añeses Negrón, Esq. ([aaneses@cstlawpr.com](mailto:aaneses@cstlawpr.com));
  - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. ([rgordon@jenner.com](mailto:rgordon@jenner.com)) and Richard Levin, Esq. ([rlevin@jenner.com](mailto:rlevin@jenner.com)), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. ([csteeg@jenner.com](mailto:csteeg@jenner.com)) and Melissa Root, Esq. ([mroot@jenner.com](mailto:mroot@jenner.com));
  - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. ([ajb@bennazar.org](mailto:ajb@bennazar.org));
  - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central

Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury ([Francisco.Pena@hacienda.pr.gov](mailto:Francisco.Pena@hacienda.pr.gov));

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$1,275,750.00 representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: November 12, 2018  
Washington DC

McKinsey & Company, Inc. Washington DC

s/Tyler Duvall  
Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC  
1200 19th St NW #1000  
Washington, DC 20036  
Telephone: (202) 662-3100  
Email: Tyler\_Duvall@Mckinsey.com

*Strategic Consultant to the Debtors*

**EXHIBIT A**

*Consulting Services Agreement  
Between McKinsey Washington and the Board  
In Support of the Title III Litigation  
(entered in on or about and July 3, 2017, Amendment No. 1 effective  
November 1, 2017, Amendment No. 2 effective April 1, 2018  
(the “Consulting Agreement”)  
Statement of Work for Commonwealth Title III Support*

***PROPRIETARY and CONFIDENTIAL***

**CONSULTING AGREEMENT**

**McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES.** The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION.** The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY.** Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY.** Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

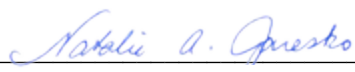
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

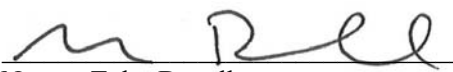
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico  
(Client)

McKinsey & Company, Inc., Washington D.C.

  
Name: Natalie A. Jaresko  
Title: Executive Director  
Date: Sept. 12, 2017

  
Name: Tyler Duvall  
Title: Partner  
Date: September 8, 2017



**ATTACHMENT 1**  
**Scope of Work**  
**For**  
**Commonwealth Title III Support**

**Services:**

In regards to support for the Commonwealth Title III proceedings to the Board to include:

*Activities:*

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
  - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
  - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
  - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
  - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
  - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
  - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverable:*

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

### **Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.



**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for PREPA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

**1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required (e.g. updated IRP for PREPA)
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**ATTACHMENT 2**  
**Scope of Work**  
**for**  
**Title III Support for HTA**

**Services:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

**Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA**

*Activities:*

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
  - Provide expert testimony (at most 2 per quarter)
  - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
  - Provide support at related stakeholder interactions, which may include presentations

*Deliverables:*

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

*Support Structure and Cost:*

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

**Payment Schedule**

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25<sup>th</sup> day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS FIRST AMENDMENT** to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

**WHEREAS**, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

**1. SERVICES.**

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

**11. MISCELLANEOUS.**

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

**IN WITNESS WHEREOF**, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board  
For Puerto Rico**

  
Name: Natalie A. Jaresko

Title: Executive Director

Date:

**McKinsey & Company, Inc., Washington D.C.**

  
Name: Tyler Duvall

Title: Principal

Date: March 8, 2018

**AMENDED ATTACHMENT 1**  
**Scope of Work For Commonwealth Title III Support**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

Support for the Commonwealth Title III proceedings to the Board to include the following:

***I. Measure:***

- Revising fiscal measures contained in the March 13<sup>th</sup> Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

***II. Baseline and Macro:***

- Reviewing full certified March 13<sup>th</sup> Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

***III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

\* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.



**AMENDED ATTACHMENT 3**  
**Scope of Work For Title III Support for HTA**

**PERIOD OF PERFORMANCE:**

November 1, 2017 – March 31, 2018

**SCOPE:**

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
  - Debt restructuring terms and plans, agreed with creditors to the extent possible
  - Detailed privatization/corporatization plans supported by financial models and market engagement
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
  - Macro-resource planning when required
  - Clear assessments of economic and social impacts on the people of Puerto Rico
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**



December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

\*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

\*\* For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT  
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC  
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

**THIS SECOND AMENDMENT** to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

**WHEREAS**, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

**WHEREAS**, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

**WHEREAS**, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board  
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

**McKinsey & Company, Inc., Washington D.C.**



Name: Tyler Duvall

Title: Partner

**SECOND AMENDED ATTACHMENT 3**  
**Scope of Work for Title III Support for HTA**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

*In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:*

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
  - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
  - Capex program priorities and efficiency measures
  - Opportunities to increase revenues
  - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
  - Governance and management plans that will enable delivery of actions
  - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.



**SECOND AMENDED ATTACHMENT 1**  
**Scope of Work for Commonwealth Title III Support**

**PERIOD OF PERFORMANCE AND SCOPE:**

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

***Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:***

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

**FEES AND INVOICING:**

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

<b>Period of Performance</b>	<b>Fee</b>
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

**EXHIBIT B**

*Certification of McKinsey Washington Partner Tyler Duvall*



**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.

-----X

**CERTIFICATION OF TYLER DUVALL**

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Ninth Monthly Fee Statement: Commonwealth Title III Support are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Ninth Monthly Fee Statement: Commonwealth Title III Support complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
  - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
  - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;
  - iii. The amount of this invoice is reasonable;

- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: November 12, 2018  
Washington, DC

*s/Tyler Duvall*

Tyler Duvall  
Partner  
McKinsey & Company, Inc. Washington DC

**EXHIBIT C**

***Certification of FOMB Executive Director Natalie Jaresko***

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA  
Title III

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,  
et al.

(Jointly Administered)

Debtors.

-----X

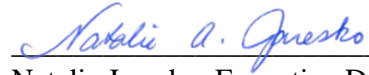
**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S  
MONTHLY FEE STATEMENTS FOR THE MONTH OF SEPTEMBER 2018**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight And Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in September 2018 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of September 2018, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: October \_\_, 2018



Natalie Jaresko, Executive Director  
The Financial Oversight and  
Management Board For Puerto Rico

## **EXHIBIT D**

### **Title III Support for Commonwealth**

#### **September 2018**

##### **Summary of Work**

The scope of McKinsey Washington's services and deliverables related to Commonwealth Title III in September 2018 involved completing the Commonwealth Fiscal Plan financial model and presentation document, supporting board deliberations before certification, and preparing analysis on the Commonwealth's implied cash surplus analysis and FY19 liquidity plan to support the restructuring process.

To finalize the Fiscal Plan, the team reviewed final submissions from government agencies, worked with other Board advisors to reconcile any questions from disparate data sources, and conducted an extensive audit to confirm assumptions for critical components of the plan. These included refining assumptions for Act 154 revenue forecasts, damage assessment analysis and continued review of federal funding, and pressure testing macroeconomic projections. To confirm expenditure projections, updates to the Commonwealth's FY19 budget, and agency efficiency measures for the Fiscal Plan, the team also worked extensively with FOMB staff members and aligned with other advisors and agencies. Lastly, the team finalized assumptions and projections for long-term Island healthcare expenditures (i.e, Mi Salud) via data analysis and review of statutes with an independent Board healthcare actuary, Commonwealth agencies responsible for delivering healthcare on the Island, and Board advisors.

The team provided support to the restructuring process via analysis of the Commonwealth's FY18 implied cash surplus analysis and the FY19 liquidity plan. In this context the team also analyzed and bridged differences between the Commonwealth Fiscal Plan surplus and FY18 implied cash surplus, analyzing timing variances and rollover costs between fiscal years.

Finally, the team also provided support to *ad hoc* requests regarding the FOMB and the Government submission of the Fiscal Plan.

##### **McKinsey Washington's Commonwealth Title III Team Detailed Activities by Deliverable:**

- Worked towards completion of the Commonwealth Fiscal Plan model
  - Worked with Board advisors Andy Wolfe, William Fornia, and Ernest Jaramillo to finalize projections for the Fiscal Plan on Puerto Rico's macroeconomic future, pensions cost projections, and healthcare expenditure projections

- Collaborated with Government agencies to make final revisions to revenue and cost baseline projections for FY18, via data analysis and assessment of recurring vs. non-recurring FY18 observed trends
- Worked with Board colleagues and Government advisors to refine the FY19 budget for the Commonwealth
- Supported the restructuring process
  - Refined the FY18 implied cash surplus analysis and reviewed the FY19 liquidity plan as created by the Government and its advisors
  - Ensured follow-up on pending litigation topics (e.g., responses to creditor questions submitted as part of the GO Rule 2004 dispute)
- Supported the board in developing perspectives and replies to *ad hoc* requests/ questions related to Fiscal Plan and budget from Board Executives and Creditors/ Creditor advisors

### **McKinsey Washington's Commonwealth Title III Team Detail and Contributions**

The McKinsey team was led by Bertil Chappuis, Kevin Carmody, Thomas Dohrmann, Tyler Duvall, Jonathan Davis and Ojas Shah, who provided overall strategic guidance, expert input and coordination, as well as an Associate Partners (Sara O'Rourke and Todd Wintner), who provided direction to the working team, expert input and stakeholder management. The working team consisted of a full-time Engagement Manager (Steven Van Camp), 1 full-time Associate (Isabella Bennett) and 5 full-time Analysts (Charlotte Clinger, Peter Bailinson, Andrew Wei, and Anja Nilsson, and Logan Schuelke).

- Bertil Chappuis (Senior Partner – part time – overall strategic direction)
  - Provided overall quality control on team content
  - Responsible for relationships with key stakeholders, including Board, Board staff and co-advisors
  - Led on-the-ground Puerto Rico stakeholder interaction in order to drive real-time insights
  - Participated in Board meetings and sessions to review updates and next steps to the Fiscal Plan
- Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring)
  - Participated in team problem solving sessions related to preliminary best interest test
  - Provided quality control on various team work streams
  - Reviewed analyses related to preliminary analysis of TSA cash activity and correlation to certified fiscal plan
  - Reviewed framework for preliminary Best Interest Test
  - Reviewed draft analyses related to fiscal plan
- Thomas Dohrmann (Senior Partner – part time – overall strategic direction)

- Participated in select Board sessions and FOMB meetings discussing Fiscal Plan next steps
- Participated in team problem solving sessions related to the Fiscal Plan
- Tyler Duvall (Partner – part time – overall strategic direction)
  - Provided overall leadership across all aspects of the Fiscal Plan development process
  - Led team's participation in board working sessions related to Commonwealth Fiscal Plan
  - Problem solved with the various working team members all areas of analysis, ensuring consistency, pressure testing assumptions, and framing decisions for board
  - Provided expertise on various agency efficiencies measures, including personnel and non-personnel spend; opportunities for increased technology investment in government; procurement reform, etc.
  - Counseled FOMB staff leadership and Board members on various Fiscal Plan components and approach
  - Conducted review sessions and provided feedback on cost and macroeconomic models
- Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms)
  - Led working session with government advisors on baseline revenue forecast
  - Led analysis of September government fiscal plan submission revenue forecasts, including interactions between macroeconomic forecast and revenues
  - Conducted analysis and led discussions related to implementation requirements included in the text of the fiscal plan
  - Worked with Board economist to pressure test updates to fiscal plan revenue forecast relative to macroeconomic projections
  - Attended Board calls and presented on elements of the fiscal plan update process
  - Conducted briefings with Executive Director and FOMB staff on certain aspects of the fiscal plan update process
  - Conducted overall quality review on fiscal plan documents, briefing materials, etc.
- Ojas Shah (Partner – part time – content director on Fiscal Plan expenditures and restructuring)
  - Led refinement and finalization of FY18 implied cash surplus analysis
  - Participated in several cross-advisor and FOMB discussions regarding updated revenue and expense inputs related Fiscal Plan assumptions
  - Participated in several working sessions with McKinsey team to review draft Commonwealth Fiscal Plan
  - Reviewed draft Fiscal Plans submitted by Government
  - Participated in discussions with counsel and reviewed materials assembled at the request of counsel related to litigation matters



- Participated in discussion regarding implications of new Fiscal Plan on FY19 budget
- Participated in Board and FOMB calls to provide updates regarding Title III and Fiscal Plan related analyses
- Participated in Board strategy session on September 28<sup>th</sup> in San Juan, PR.
- Todd Wintner (Associate Partner – part time – content director on healthcare and education)
  - Directed work on all matters related to healthcare including updating baseline projections to incorporate latest enrollment and PMPM actuarial trend data
  - Directed work on all matters related to K12 education / PRDE including updating baseline projections to incorporate latest headcount
  - Provided integration across evolving UPR and Commonwealth Fiscal Plan
- Sara O'Rourke (Associate Partner – full time – Fiscal Plan & integrating engagement director)
  - Led major board working sessions related to Commonwealth Fiscal Plan on September 19, September 21, and September 28.
  - Prepared and led Board briefings on questions related to Fiscal Plan assumptions and scenario analysis for debt sustainability analyses
  - Provided overall guidance and quality control to prepare the notice of violation for the Government's September Fiscal Plan submission
  - Provided overall guidance and quality control on Board materials and briefing documents related to the Commonwealth Fiscal Plan
  - Played integrating thought leader role across all areas of analysis, ensuring consistency, pressure testing assumptions, and framing decisions for board
  - Served as expert on all agency efficiencies measures, as well as on select structural reforms (e.g., Ease of Doing Business, Labor reform, NAP, etc.)
  - Led work across Board advisor teams, as well as in collaboration with Government, to launch relevant data requests and analyses related to new data
  - Served as integrator across all Fiscal Plan teams to ensure consistency
- Steven Van Camp (Engagement Manager – full time – integrating engagement manager with primary focus on Fiscal Plan and restructuring)
  - Led the daily working team in delivering on the September deliverables, specifically by helping the team prioritize activities, providing integration across Fiscal Plan and restructuring topics and by reviewing and conducting quality control of analyses and decision documents
  - Provided the working team with problem solving support on topics such as FY18 implied cash surplus analysis, bridges between the Fiscal Plan surplus and the FY18 implied cash surplus, and Fiscal Plan updates, specifically with regards to payroll and non-payroll opex expenditures

- Served as expert on restructuring related topics (e.g., FY18 implied cash surplus, litigation, etc.)
- Spearheaded FY19 Budget meetings with Miguel, EY and lawyers to discuss Fiscal Plan updates and how these will be translated in the budget
- Assisted the FOMB staff in problem solving sessions, specifically regarding FY18 implied cash surplus analysis
- Isabella Bennett (Associate – full time – restructuring, pensions, healthcare, expenditures and other)
  - Worked with Board staff and government advisors to ensure Fiscal Plan payroll and operating expenditure projections integrated most up-to-date information from cash actuals, helping the team deep dive in particular on the Department of Education and Tourism budgets
  - Collaborated with Board healthcare actuary and government advisors to analyze past healthcare cost trends on the Island and project healthcare cost and population trends through FY2058 for the Fiscal Plan
  - Collaborated with government agencies and advisors to refine projections of healthcare expenditure (e.g., Commonwealth funded populations vs. federally eligible populations) and special revenue inflows (e.g., pharmaceutical rebates). Collaborated extensively with government representatives and advisors to confirm projections for Federal Funds for Medicaid and projected funding the CW will use from the \$4.8 billion allocated by the Bipartisan Budget Act of 2018
  - Worked with board advisor, William Fornia, to review pensions projections, brief FOMB on changes, and integrate updates into the Fiscal Plan
  - Collaborated with board advisors and representatives to develop scenarios to test Fiscal Plan assumptions and sustainability (e.g., reviewing options for and modeling a cap on total healthcare expenditure)
  - Responded to agency communications related to FY19 budgets, helping to explain how the Board arrived at their budget allocation (e.g., explaining assumptions to the Health Insurance Administration—ASES and PRDE, and pensions projection logic for the Department of Police)
  - Supported *ad hoc* analysis, such as for the Notice of Violation for the Government's September Fiscal Plan submission and scoring cost of legislation related to paid time off of public employees
- Peter Bailinson (Analyst – full time – Fiscal Plan macro, revenues, rightsizing and other)
  - Incorporated updates to the Fiscal Plan based on refined information provided by the Government (e.g., created new utility payments measure, reduced uniform healthcare measure savings based on decision to maintain preexisting conditions coverage)
  - Determined changes needed to FY2019 budget based on above Fiscal Plan revisions (and vice versa, evaluated changes requested by agencies to their FY2019 budgets and determined potential implications on revised Fiscal Plan)

- Assisted FOMB with financial calculations to determine policy decisions (e.g., identified potential date at which Government would run out of funding were it to defer reductions to its FY2019 personnel budget)
- Anja Nilsson (Analyst – Full Time – fiscal plan expenditures, rightsizing, budget, and other)
  - Managed working team responsible for incorporating updates to the June Fiscal Plan for the New Certified Fiscal Plan, including integration into Fiscal Plan of adjustments to agency budgets based on payroll actuals and agency specific baseline requests, and reapportionments
  - Supported Board response to agency communications related to their FY19 budgets, helping to explain how the Board arrived at their budget allocation (e.g., bridging their
  - Supported *ad hoc* Board requests on Fiscal Plan and budget (e.g., payroll analysis of implications if rightsizing measures are not implemented)
- Logan Schuelke (Analyst – full time – restructuring and other)
  - Developed refinements to the CW Fiscal Plan for major expense categories (e.g., IFCU's, utilities, professional fees, appropriations, reconciliation with agency budgets, payroll forecasts)
  - Worked with Government to refine FY19 liquidity analysis and reporting
  - Built a preliminary version of the FY18 implied cash surplus analysis based on the June Certified Fiscal Plan, as well as bridges between the Fiscal Plan surplus and the FY18 implied cash surplus
  - Developed analysis of Commonwealth's liquidity needs relative to the Certified Fiscal Plan and the preliminary status of the new Fiscal Plan
  - Supported ongoing litigation efforts in relation to the Commonwealth's Fiscal Plan including development of supporting documents as requested by legal partners
- Andrew Wei (Analyst – full time – restructuring, expenditures, and IFCUs)
  - Worked extensively with Board advisors and Government representatives to identify variances in projection methodology for IFCU revenues and expenditures between the June Certified Fiscal Plan and Government Fiscal Plan, and worked with agencies (e.g., PRTC) and Conway to understand drivers behind these variances.
  - Updated the Fiscal Plan model to incorporate FY18 actuals for IFCUs, and finalize inputs for the Fiscal Plan based on variance drivers and assessment of recurring vs. hurricane related variances
  - Refined the FY18 implied cash surplus analysis to revised implied surplus based on the preliminary version of the new Fiscal Plan
- Charlotte Clinger (Analyst – full time – Fiscal Plan macro, revenues and structural reforms)
  - Worked with Board and Government advisors to refine assumptions for Act 154 revenue forecasts, finalize damage assessment analysis and continued review of federal funding

- Worked with Board economist, Andrew Wolfe to pressure test macroeconomic projections (e.g., upticks from structural reforms)
- Reviewed the Fiscal Plan submitted by the Government in September to support the Board's filing of a Notice of Violation
- Built scenario analysis for debt sustainability analysis section of the Fiscal Plan

**EXHIBIT E**

*September 2018 Invoice*

## McKinsey&Company

The Financial Oversight and  
Management Board for Puerto Rico  
PO Box 195556  
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant  
[accountspayable@promesa.gov](mailto:accountspayable@promesa.gov)

**Invoice No: USG-GPC026-5325**

Consulting Agreement  
Client for Strategic Consulting support related to  
the Title III Cases  
Effective Agreement Date: November 1, 2017  
Amendment Date: April 1, 2018

Invoice Date: 10/30/2018

---

Net 30

### FFP Payment Schedule for Commonwealth Services

**Invoice PoP:** September 1, 2018 – September 30, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$	1,251,628.57
Gross invoice amount for services performed in Puerto Rico:	\$	233,621.73
<b>Subtotal</b>	<b>\$</b>	<b>1,485,250.30</b>
Less withholding tax deducted at source	\$	(67,750.30)
<b>Net Invoice Payable:</b>	<b>\$</b>	<b>1,417,500.00</b>

**Total Invoice:** \$1,417,500.00

Please wire transfer payment to:  
McKinsey & Company, Inc.  
Citibank N.A.  
Bank Account Number: [REDACTED]  
Bank ABA Routing Number: [REDACTED]

If remitting by check please send check to:  
McKinsey & Company, Inc.  
P.O. Box 7247-7255  
Philadelphia, PA 19170-7255

Federal Tax ID#: [REDACTED]

**Please reference the invoice number and invoice date on your remittance advice.**

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.